

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Kingsley</b>	County <b>Grand Traverse</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>6/6/05</b>	Date Accountant Report Submitted to State: <b>6/15/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

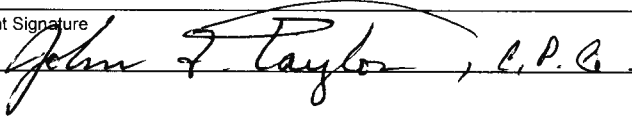
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Baird, Cotter &amp; Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>	City <b>Cadillac</b>	State <b>MI</b>	ZIP <b>49601</b>
Accountant Signature 		Date <b>6/15/05</b>	

**VILLAGE OF KINGSLEY, MICHIGAN**

**FEBRUARY 28, 2005**

VILLAGE OF KINGSLEY, MICHIGAN

FEBRUARY 28, 2005

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-xii
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	1-2
Statements of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of the Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6-7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	8
Proprietary Funds	
Statement of Net Assets	9-10
Reconciliation of the Statement of Net Assets of Proprietary Funds to the Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets	12
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets to the Statement of Activities	13
Statement of Cash Flows	14-15
Component Units	
Statement of Net Assets	16
Statement of Activities	17
Notes to Financial Statements	18-32
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	33
<u>Downtown Development Authority</u>	
Balance Sheet	34
Statement of Revenues, Expenditures and Changes in Fund Balance	35
<b>Financial Statements of Individual Funds</b>	
<b>Major Governmental Funds</b>	
<u>General Fund</u>	
Comparative Balance Sheet	36

VILLAGE OF KINGSLEY, MICHIGAN

FEBRUARY 28, 2005

TABLE OF CONTENTS

	<u>PAGES</u>
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	37
Comparative Analysis of Revenues	38
Comparative Analysis of Expenditures	39-42
Comparative Analysis of Other Financing Sources (Uses)	43
<u>Major Street Fund</u>	
Comparative Balance Sheet	44
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	45-46
<u>Local Street Fund</u>	
Comparative Balance Sheet	47
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	48-49
<u>Recreational Complex Capital Project Fund</u>	
Comparative Balance Sheet	50
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	51
<u>Oil, Gas and Mineral Trust Fund</u>	
Comparative Balance Sheet	52
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	53
<b>Major Proprietary Funds</b>	
<u>Water Fund</u>	
Comparative Balance Sheet	54-55
Comparative Statement of Revenues, Expenses and Changes in Retained Earnings	56-57
Statement of Cash Flows	58-59
<u>Sanitary Sewer System Fund</u>	
Comparative Balance Sheet	60-61
Comparative Statement of Revenues, Expenses and Changes in Retained Earnings	62-63
Statement of Cash Flows	64-65
<b>Internal Service Fund</b>	
<u>Equipment Fund</u>	
Comparative Balance Sheet	66
Comparative Statement of Revenues, Expenses and Changes in Retained Earnings	67-68
Statement of Cash Flows	69

VILLAGE OF KINGSLEY, MICHIGAN

FEBRUARY 28, 2005

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Other Information</b>	
Statement of 2004 Tax Roll	70
Downtown Development Authority Statement of 2004 Tax Roll	71
Water Revenue Bonds, Series 1992	72
Sanitary Sewer System Revenue Refunding Bonds, Series 1998	73
Junior Lien Sewer Revenue Bonds, Series 2004	74-76
<b>Single Audit</b>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77-78
Report on Compliance with Requirements Applicable to Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133	79-80
Schedule of Expenditures of Federal Awards	81
Notes to Schedule of Expenditures of Federal Awards	82
Summary Schedule of Prior Audit Findings	83
Schedule of Findings and Questioned Costs	84

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2005

### INDEPENDENT AUDITORS' REPORT

To the President and Village Council  
Village of Kingsley, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Kingsley, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Kingsley, Michigan's, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Kingsley, Michigan, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Accounting Standards*, we have also issued our report dated June 6, 2005, on our consideration of the Village of Kingsley, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing and not to provide an

opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through xii and 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Kingsley, Michigan's, basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Village of Kingsley, Michigan. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

## VILLAGE OF KINGSLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

#### **Management's Discussion and Analysis**

The management of the Village of Kingsley, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

#### **Financial Highlights**

##### **Government-Wide**

- ❖ The assets of the Village exceeded its liabilities at the close of this fiscal year by \$6,518,248 (shown as *Net Assets*), representing an increase of \$1,308,977 over the previous fiscal year. Governmental Funds represented \$138,605 of this increase, while Business-Type activities accounted for \$1,170,372 of the increase.

##### **Fund Level Financial Highlights**

- ❖ As of February 28, 2005, the governmental funds of the Village of Kingsley reported combined ending fund balances of \$1,265,910, of which \$447,158 is unreserved.
- ❖ The unreserved fund balance of the Village's General Fund decreased this year to \$300,758.

##### **Long-Term Debt**

- ❖ The Village of Kingsley's total debt increased by \$1,131,382 during the fiscal year.

#### **Overview of the Financial Statements**

The Village of Kingsley's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over



## VILLAGE OF KINGSLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the Village include water and sewer utility services.

#### **Focus on Funds**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund, Recreational Complex Fund and the Oil, Gas and Mineral Trust Fund. The major Proprietary Funds include the Water Fund and Sewer Fund. Presentation of major funds can be found on pages 36-65 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Kingsley uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

***Governmental Funds*** Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not

## VILLAGE OF KINGSLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the special revenue, capital project, and permanent funds.

***Proprietary Funds*** Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the Village. This fund allows the Village to allocate costs of centralized services such as the Village's vehicles and equipment. The Village has one internal service fund.

***Component Units*** The Village's Comprehensive Annual Financial Report includes reporting on separate legal entities for which the Village has some level of financial responsibility. These funds are shown in a separate column. The Village's only component unit is the Downtown Development Authority.

#### **Notes to the Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on page 18 of this report.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found on page 33 of this report.

#### **Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$6,518,248 at February 28, 2005, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

VILLAGE OF KINGSLEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

*Village of Kingsley*  
*Net Assets*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Current and other assets	\$ 1,422,227	\$ 1,195,560	\$ 2,617,787
Capital Assets	1,385,999	4,587,634	5,973,633
<b>Total Assets</b>	<u>\$ 2,808,226</u>	<u>\$ 5,783,194</u>	<u>\$ 8,591,420</u>
Long-term liabilities	\$ 60,996	\$ 1,405,653	\$ 1,466,649
Other liabilities	138,026	468,497	606,523
<b>Total Liabilities</b>	<u>\$ 199,022</u>	<u>\$ 1,874,150</u>	<u>\$ 2,073,172</u>
Net Assets			
Invested in capital assets			
net of related debt	1,310,550	3,000,634	4,311,184
Unrestricted	1,298,654	908,410	2,207,064
<b>Total Net Assets</b>	<u>\$ 2,609,204</u>	<u>\$ 3,909,044</u>	<u>\$ 6,518,248</u>

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$2,207,064 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village increased \$1,308,977 in this fiscal year, which is a good indicator that the Village experienced positive financial growth during the year. As a result, the Village ended the fiscal year in better condition than when the year started.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-Wide Statement of Activities.

VILLAGE OF KINGSLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

*Village of Kingsley  
Change in Net Assets*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
	<b><u>2005</u></b>	<b><u>2005</u></b>	<b><u>2005</u></b>
<b><u>Revenues</u></b>			
<b>Program Revenues</b>			
Charges for Services	\$ 4,934	\$ 470,428	\$ 475,362
Operating Grants and Contributions	205,658	0	205,658
Capital Grants	0	975,268	975,268
<b>General Revenues</b>			
Property Taxes and Assessments	202,996	0	202,996
State Shared Revenue	139,929	0	139,929
Unrestricted Investment Earnings	35,560	10,290	45,850
Gain (Loss) on Sale of Assets	6,530	0	6,530
Other	3,306	24,475	27,781
<b>Total Revenues</b>	\$ <u>598,913</u>	\$ <u>1,480,461</u>	\$ <u>2,079,374</u>
<b><u>Expenses</u></b>			
General Government, Administrative	\$ 149,162	\$ 0	\$ 149,162
Public Safety	7,906	0	7,906
Public Works	183,240	0	183,240
Planning	6,742	0	6,742
Recreation and Culture	19,571	0	19,571
Other Functions	88,687	0	88,687
Trust Fund	5,000	0	5,000
Water and Sewer	0	310,089	310,089
<b>Total Expenses</b>	\$ <u>460,308</u>	\$ <u>310,089</u>	\$ <u>770,397</u>
Increase in Net Assets	138,605	1,170,372	1,308,977
Beginning Net Assets	2,470,599	2,738,672	5,209,271
Ending Net Assets	\$ <u><u>2,609,204</u></u>	\$ <u><u>3,909,044</u></u>	\$ <u><u>6,518,248</u></u>

**Governmental Activities**

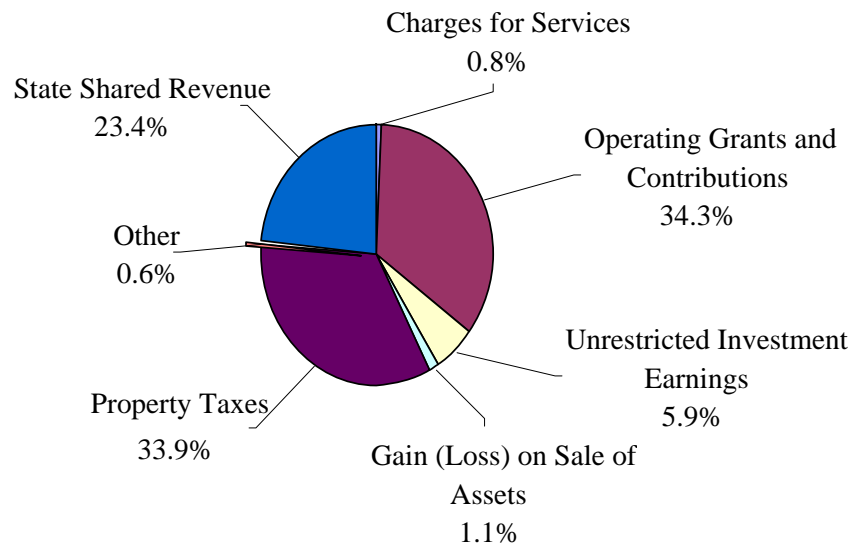
The following chart details the revenue sources for the governmental activities of the Village for the fiscal year ended February 28, 2005:

VILLAGE OF KINGSLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

**Revenue - Governmental Activities  
Fiscal Year Ended February 28, 2005**



The most significant portion of the revenue for all governmental activities of the Village of Kingsley comes from Operating Grants and Contributions. This figure includes Michigan Transportation Fund (Act 51) money for the Major and Local Streets as well as private contributions and contributions from local units for the Recreation Complex Fund.

Property Taxes are a significant portion of the revenue for all governmental activities of the Village. The Village's operating millage in 2005 was 10.1677 mills. The Village's charter allows the Village to levy up to 12.5 mills for operations. Due to State statutes, the Village is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

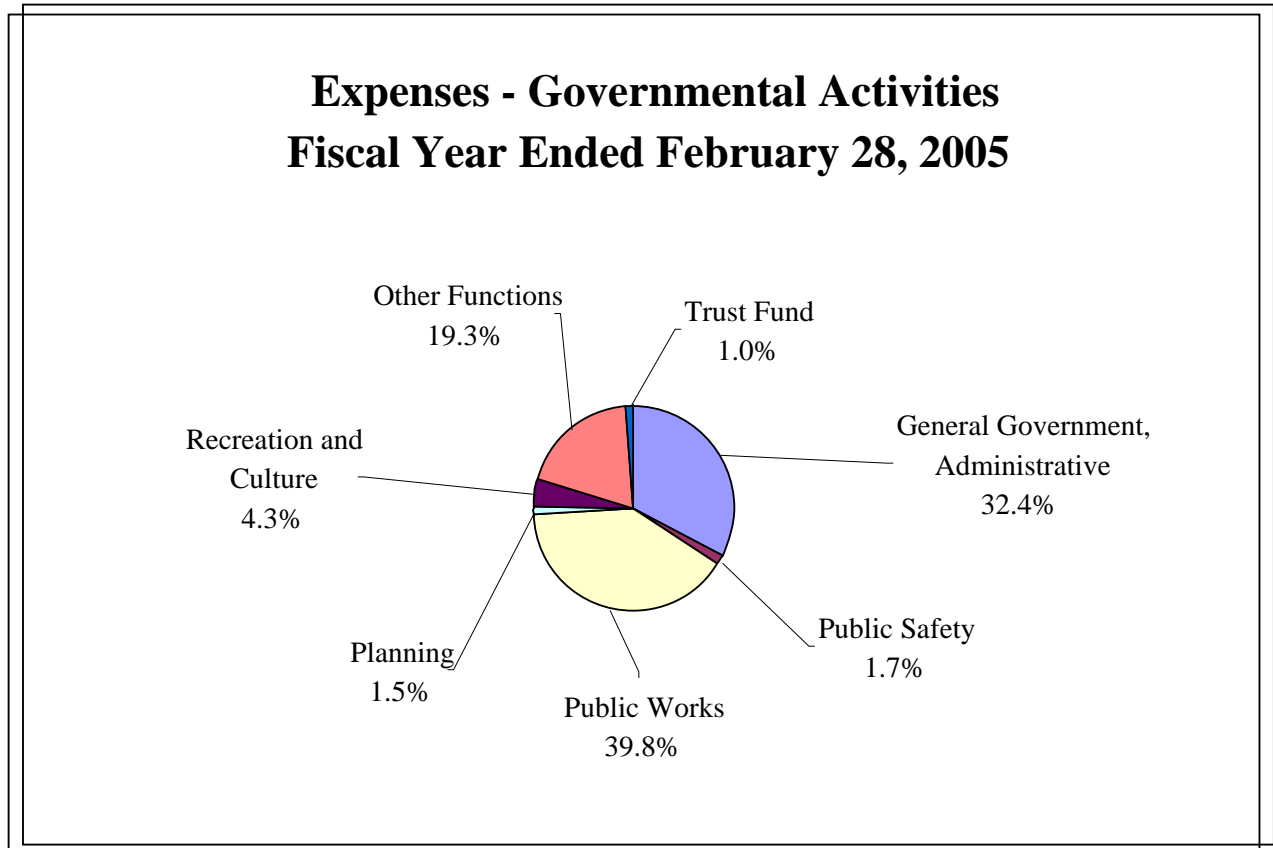
State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2005, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

## VILLAGE OF KINGSLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

The following chart depicts expenses of the governmental activities of the Village for the fiscal year ended February 28, 2005:



The Village's governmental activities expenses are dominated by the Public Works expenses that total 39.8% of total expenses. The Village spent \$183,240 in FY2004/2005 on Public Works. Expenses in the Major Street Fund (\$70,314) and Local Street Fund (\$78,023) represent a majority of the Public Works expenditures. General government represented the next largest expense at \$149,162, or 32.4% of total expenses within the governmental activities.

#### **Business-Type Activities**

The Village's business-type activities accounted for an increase of \$1,170,372 in the Village's Net Assets, or about 89.4% of the total growth in the Village's net assets for the fiscal year ended February 28, 2005.

The Business-type activities of the Village include the Water Fund and Sewer Fund, which provide water and sewer utility services to Village residents as well as commercial customers.

## VILLAGE OF KINGSLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

The Water and Sewer activity represents the business-type activities of the Village. Water activity accounts for 49.1% of the total expenses and 38.4% of the total revenue of the business-type activities. Sewer activity accounts for 50.9% of the total expenses and 61.6% of the total revenue of the business-type activities.

#### **Financial Analysis of the Government's Funds**

***Governmental Activities*** At the completion of the Village's fiscal year ended February 28, 2005, its governmental funds reported fund balances of \$1,265,910. Of this amount, \$453,304, or 35.8% is unreserved. This amount includes \$29,603 designated for street improvements and \$116,697 for civic improvements. An additional \$306,904 of unreserved and undesignated fund balance exists in the Village's Special Revenue funds. The remaining \$812,606 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

**General Fund** – The General Fund is the main operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$74,580, bringing the balance to \$306,904. All of the General Fund's major functions with the exception of Public Works and Culture and Recreation ended the year with expenditures below appropriated amounts. Property tax revenues in the General Fund increased \$5,050 in 2005, an increase of 2.6%. State shared revenue decreased by \$4,300 from the amount received in the previous fiscal year, representing a 3.1% reduction which resulted from State actions in response to the economic slowdown experienced throughout the State.

**Major Street Fund** – The Major Street Fund completed \$27,752 in street construction and improvements in this fiscal year. The fund balance of the Major Street Fund ended the year at \$29,396. This was a reduction of \$5,663 from the previous year. The Village used funds accumulated from previous years in order to complete this year's projects.

**Local Street Fund** – The Local Street Fund completed \$38,441 in street construction and improvements in this fiscal year. State grant funds provided \$35,240 for construction costs, or nearly 91.7% of total costs. The fund balance of this fund is at \$207.

***Proprietary Funds*** The Village's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

**Water Fund** – The Water Fund ended this fiscal year with \$142,200 in unrestricted net assets. Charges for services yielded an overall increase in operating revenues of \$12,929, a 8.0% increase. This fund experienced a decrease in interest income of \$1,765, or 68.5% from the previous fiscal year. The net assets of this fund increased by \$35,739 in 2005. This fund remains in sound fiscal condition moving forward.

VILLAGE OF KINGSLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

**Sewer Fund** – The Sewer Fund ended this fiscal year with \$842,173 in unrestricted net assets. Charges for services yielded an overall increase in operating revenues of \$74,242, a 40.0% increase. This fund experienced an increase in interest income of \$484, or 5.6% from the previous fiscal year. The net assets of this fund increased by \$1,126,656 in 2005, which included a \$975,268 Rural Utilities Service Grant. This fund remains in sound fiscal condition moving forward.

**Capital Asset and Debt Administration**

**Capital Assets.** The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2005 amounted to \$5,973,633 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

*Village of Kingsley  
Capital Assets as of February 28, 2005*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Land and Land Improvements	\$ 349,598	\$ 257,304	\$ 606,902
Infrastructure	1,057,412	0	1,057,412
Buildings	109,587	0	109,587
Water and Sewer System	0	4,215,595	4,215,595
Machinery and Equipment	328,925	277,019	605,944
Office Equipment	22,446	0	22,446
<b>Subtotal</b>	<b>1,867,968</b>	<b>4,749,918</b>	<b>6,617,886</b>
Construction in Progress	0	2,194,653	2,194,653
Accumulated Depreciation	(481,969)	(2,356,937)	(2,838,906)
<b>Net Capital Assets</b>	<b>\$ 1,385,999</b>	<b>\$ 4,587,634</b>	<b>\$ 5,973,633</b>

Major capital asset events during FY2005 included the following:

- Street construction, sidewalks and other improvements to Blair Street totaling \$88,411.
- Splash pad and 18 hole disc course added to parks totaling \$18,881.
- Installed a water main on Blair Street at a cost of \$33,912.
- Constructed a new pole barn for \$15,086.
- Sewer System Improvements \$2,194,653.



VILLAGE OF KINGSLEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements section on pages 26 and 27.

***Village of Kingsley Outstanding Debt  
Contracts and Revenue Bonds  
as of February 28, 2005***

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>
Contracts and Notes	\$ 75,449		\$ 0		\$ 75,449
Revenue Bonds	0		1,587,000		1,587,000
Total	<u>75,449</u>		<u>\$ 1,587,000</u>		<u>\$ 1,662,449</u>

The Village issued new bonded debt in FY2005, of \$1,222,000 and the total debt increased from \$533,383 at February 29, 2004, to \$1,669,765 at February 28, 2005, an increase of \$1,131,382. More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document, on pages 28-30.

**Contacting the Village's Finance Department**

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Kingsley, P.O. Box 208, Kingsley, MI 49649, or call us at (231)263-7778.

VILLAGE OF KINGSLEY, MICHIGAN

STATEMENT OF NET ASSETS  
FEBRUARY 28, 2005

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
<u>ASSETS</u>				
Cash	\$ 637,967	\$ 923,455	\$ 1,561,422	\$ 5,969
Investments	706,828	0	706,828	0
Receivables				
Taxes	1,255	0	1,255	522
Accounts	12,564	45,764	58,328	0
Rural Utilities Service Grant Receivable	0	221,668	221,668	0
Accrued Interest	7,378	0	7,378	0
Internal Balances	5,429	(5,429)	0	0
Due from Other Governments	41,773	0	41,773	0
Prepaid Expenses	8,825	10,018	18,843	0
Total Current Assets	\$ 1,422,019	\$ 1,195,476	\$ 2,617,495	\$ 6,491
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	\$ 349,598	\$ 257,304	\$ 606,902	\$ 0
Infrastructure	1,057,412	0	1,057,412	0
Buildings	109,587	0	109,587	0
Machinery and Equipment	328,925	277,019	605,944	0
Office Equipment	22,446	0	22,446	0
Water and Sewer System	0	4,215,595	4,215,595	0
Construction in Progress	0	2,194,653	2,194,653	0
	\$ 1,867,968	\$ 6,944,571	\$ 8,812,539	\$ 0
Less Accumulated Depreciation	481,969	2,356,937	2,838,906	0
Net Capital Assets	\$ 1,385,999	\$ 4,587,634	\$ 5,973,633	\$ 0
<u>OTHER ASSETS</u>				
Loan Fees	\$ 1,247	\$ 502	\$ 1,749	\$ 0
Less: Amortization	1,039	418	1,457	0
Net Other Assets	\$ 208	\$ 84	\$ 292	\$ 0
TOTAL ASSETS	\$ 2,808,226	\$ 5,783,194	\$ 8,591,420	\$ 6,491

The accompanying notes are an integral part of the financial statements.

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS		COMPONENT
	ACTIVITIES	TYPE	TOTALS	UNITS
		ACTIVITIES		
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	51,010	196,067	247,077	0
Retainage Payable	0	93,000	93,000	0
Customer Deposits	27,191	3,720	30,911	0
Accrued Expenditures	12,205	0	12,205	0
Due to Other Governments	840	0	840	0
Internal Balances	25,011	(25,011)	0	0
Accrued Interest Payable	0	24,721	24,721	0
Current Portion of Long-Term Debt	21,769	176,000	197,769	0
Total Current Liabilities	\$ 138,026	\$ 468,497	\$ 606,523	\$ 0
<u>LONG-TERM LIABILITIES</u>				
Revenue Bonds	\$ 0	\$ 1,411,000	\$ 1,411,000	\$ 0
Less Advanced Refunding Costs	0	(5,347)	(5,347)	0
Notes Payable	53,680	0	53,680	0
Accrued Compensated Sick Pay	7,316	0	7,316	0
Total Long-Term Liabilities	\$ 60,996	\$ 1,405,653	\$ 1,466,649	\$ 0
TOTAL LIABILITIES	\$ 199,022	\$ 1,874,150	\$ 2,073,172	\$ 0
<u>EQUITY</u>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 1,310,550	\$ 3,000,634	\$ 4,311,184	\$ 0
Unrestricted	1,298,654	908,410	2,207,064	6,491
TOTAL NET ASSETS	\$ 2,609,204	\$ 3,909,044	\$ 6,518,248	\$ 6,491

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 28, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
<u>PRIMARY GOVERNMENT</u>									
<u>GOVERNMENTAL ACTIVITIES</u>									
General Government, Administrative	\$ 149,162	\$ 3,949	\$ 3,546	\$ 0	\$ (141,667)	\$ 0	\$ (141,667)	\$ 0	
Public Safety	7,906	985	0	0	(6,921)	0	(6,921)	0	
Public Works	183,240	0	101,612	0	(81,628)	0	(81,628)	0	
Planning	6,742	0	0	0	(6,742)	0	(6,742)	0	
Recreation and Culture	19,571	0	100,500	0	80,929	0	80,929	0	
Other Functions	88,687	0	0	0	(88,687)	0	(88,687)	0	
Trust Fund Activities	5,000	0	0	0	(5,000)	0	(5,000)	0	
Total Governmental Activities	\$ 460,308	\$ 4,934	\$ 205,658	\$ 0	\$ (249,716)	\$ 0	\$ (249,716)	\$ 0	
<u>BUSINESS-TYPE ACTIVITIES</u>									
Water and Sewer Systems	\$ 310,089	\$ 470,428	\$ 0	\$ 975,268	\$ 0	\$ 1,135,607	\$ 1,135,607	\$ 0	
TOTAL PRIMARY GOVERNMENT	\$ 770,397	\$ 475,362	\$ 205,658	\$ 975,268	\$ (249,716)	\$ 1,135,607	\$ 885,891	\$ 0	
<u>COMPONENT UNITS</u>									
Non-Major Component Units	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
<u>GENERAL REVENUES</u>									
Property Tax and Special Assessments					\$ 202,996	\$ 0	\$ 202,996	\$ 6,486	
State Shared Revenue					139,929	0	139,929	0	
Unrestricted Investment Earnings					35,560	10,290	45,850	5	
Gain (Loss) on Sale of Assets					6,530	0	6,530	0	
Other					3,306	24,475	27,781	0	
Total General Revenues					\$ 388,321	\$ 34,765	\$ 423,086	\$ 6,491	
Change in Net Assets					\$ 138,605	\$ 1,170,372	\$ 1,308,977	\$ 6,491	
NET ASSETS - Beginning of Year					2,470,599	2,738,672	5,209,271	0	
NET ASSETS - End of Year					\$ 2,609,204	\$ 3,909,044	\$ 6,518,248	\$ 6,491	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN  
GOVERNMENTAL FUNDS

BALANCE SHEET  
FEBRUARY 28, 2005

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	OIL, GAS AND MINERAL	TOTALS
<u>ASSETS</u>						
Cash	\$ 330,754	\$ 34,920	\$ 13,570	\$ 116,797	\$ 98,400	\$ 594,441
Investments	0	0	0	0	706,828	706,828
Receivables						
Taxes	1,255	0	0	0	0	1,255
Accounts	12,564	0	0	0	0	12,564
Accrued Interest	0	0	0	0	7,378	7,378
Due from Other Funds	11,322	0	1,000	0	0	12,322
Due from Other Governments	24,235	12,335	5,203	0	0	41,773
Prepaid Expenditures	6,146	0	0	0	0	6,146
TOTAL ASSETS	<u>\$ 386,276</u>	<u>\$ 47,255</u>	<u>\$ 19,773</u>	<u>\$ 116,797</u>	<u>\$ 812,606</u>	<u>\$ 1,382,707</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 38,116	\$ 4,412	\$ 4,394	\$ 0	\$ 0	\$ 46,922
Customer Deposits	27,191	0	0	0	0	27,191
Accrued Expenditures	12,205	0	0	0	0	12,205
Due to Other Funds	1,020	13,447	15,172	0	0	29,639
Due to Other Governments	840	0	0	0	0	840
Total Liabilities	<u>\$ 79,372</u>	<u>\$ 17,859</u>	<u>\$ 19,566</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 116,797</u>

FUND BALANCE

Reserved for:

Endowments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 704,902	\$ 704,902
Civic Improvements	0	0	0	0	107,704	107,704
Prepaid Expenditures	6,146	0	0	0	0	6,146

Unreserved:

Designated for:

Street Improvements	0	29,396	207	0	0	29,603
Civic Improvements	0	0	0	116,797	0	116,797
Undesignated	300,758	0	0	0	0	300,758

Total Fund Balance	<u>\$ 306,904</u>	<u>\$ 29,396</u>	<u>\$ 207</u>	<u>\$ 116,797</u>	<u>\$ 812,606</u>	<u>\$ 1,265,910</u>
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TOTAL LIABILITIES AND

FUND BALANCE	<u>\$ 386,276</u>	<u>\$ 47,255</u>	<u>\$ 19,773</u>	<u>\$ 116,797</u>	<u>\$ 812,606</u>	<u>\$ 1,382,707</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN  
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
FEBRUARY 28, 2005

Total Fund Balances for Governmental Funds			\$ 1,265,910
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Land and Land Improvements	\$	349,598	
Infrastructure		1,057,412	
Buildings		109,587	
Machinery and Equipment		117,947	
Office Equipment		22,446	
Accumulated Depreciation and Amortization		<u>(369,002)</u>	1,287,988
Internal service funds are used by management to charge costs of certain activities, such as insurance and data processing, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.			
			138,071
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Notes Payable		(75,449)	
Compensated Absences		<u>(7,316)</u>	<u>(82,765)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES			<u>\$ 2,609,204</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN  
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2005

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	OIL, MINERAL AND GAS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 202,996	\$ 0	\$ 0	\$ 0	\$ 0	\$ 202,996
Licenses and Permits	4,499	0	0	0	0	4,499
State Grants	134,558	71,743	35,240	0	0	241,541
Contributions from Local Units	0	0	0	65,500	0	65,500
Interest and Rents	5,089	408	136	600	28,357	34,590
Other Revenue	122,255	0	0	46,046	0	168,301
Total Revenues	\$ 469,397	\$ 72,151	\$ 35,376	\$ 112,146	\$ 28,357	\$ 717,427
<u>EXPENDITURES</u>						
Legislative	\$ 19,043	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,043
General Government	264,406	0	0	0	0	264,406
Public Safety	7,906	0	0	0	0	7,906
Public Works	89,970	70,314	78,023	0	0	238,307
Planning	6,742	0	0	0	0	6,742
Recreation and Culture	36,223	0	0	35,316	0	71,539
Other Functions	88,687	0	0	0	0	88,687
Trust Fund Activities	0	0	0	0	5,000	5,000
Total Expenditures	\$ 512,977	\$ 70,314	\$ 78,023	\$ 35,316	\$ 5,000	\$ 701,630
Excess (Deficiency) of Revenues Over Expenditures	\$ (43,580)	\$ 1,837	\$ (42,647)	\$ 76,830	\$ 23,357	\$ 15,797

The accompanying notes are an integral part of the financial statements.

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	OIL, MINERAL AND GAS	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	\$ 0	\$ 0	\$ 38,500	\$ 0	\$ 0	\$ 38,500
Transfers Out	(31,000)	(7,500)	0	0	0	(38,500)
Total Other Financing Sources (Uses)	\$ (31,000)	\$ (7,500)	\$ 38,500	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (74,580)	\$ (5,663)	\$ (4,147)	\$ 76,830	\$ 23,357	\$ 15,797
<u>FUND BALANCE</u> - Beginning of Year	381,484	35,059	4,354	39,967	789,249	1,250,113
<u>FUND BALANCE</u> - End of Year	\$ 306,904	\$ 29,396	\$ 207	\$ 116,797	\$ 812,606	\$ 1,265,910

The accompanying notes are an integral part of the financial statements.



VILLAGE OF KINGSLEY, MICHIGAN  
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 28, 2005

Net change in Fund Balance - Total Governmental Funds	\$	15,797
Amounts reported for governmental activities are different because:		
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.		
Depreciation Expense	\$ (41,586)	
Capital Outlay	<u>122,378</u>	80,792
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).		21,058
Employees compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds.		
Compensated Absences - Beginning of Year	\$ 13,028	
Compensated Absences - End of Year	<u>(7,316)</u>	5,712
Internal service funds are used by management to charge costs of the motor pool, to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.		<u>15,246</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>138,605</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
FEBRUARY 28, 2005

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>INTERNAL</u>
	<u>MAJOR FUNDS</u>			<u>SERVICE</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 189,921	\$ 716,014	\$ 905,935	\$ 61,046
Receivables				
Accounts	15,289	30,475	45,764	0
Rural Utilities Service Grant Receivable	0	221,668	221,668	0
Due from Other Funds	20	32,426	32,446	0
Prepaid Expense	0	8,940	8,940	3,757
Total Current Assets	\$ 205,230	\$ 1,009,523	\$ 1,214,753	\$ 64,803
<u>NONCURRENT ASSETS</u>				
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	\$ 16,781	\$ 240,523	\$ 257,304	\$ 0
Water and Sewer Systems	1,272,892	2,942,703	4,215,595	0
Machinery and Equipment	1,064	191,031	192,095	295,902
Construction Work In Progress	30,920	2,163,733	2,194,653	0
	\$ 1,321,657	\$ 5,537,990	\$ 6,859,647	\$ 295,902
Less Accumulated Depreciation	543,590	1,767,875	2,311,465	158,439
Net Capital Assets	\$ 778,067	\$ 3,770,115	\$ 4,548,182	\$ 137,463
<u>OTHER ASSETS</u>				
Loan Costs	\$ 0	\$ 0	\$ 0	\$ 1,749
Less Accumulated Amortization	0	0	0	1,457
Net Other Assets	\$ 0	\$ 0	\$ 0	\$ 292
TOTAL ASSETS	\$ 983,297	\$ 4,779,638	\$ 5,762,935	\$ 202,558

The accompanying notes are an integral part of the financial statements.

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<hr/>				
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
(Payable From Current Assets)				
Accounts Payable	\$          43,650	\$         150,772	\$         194,422	\$          5,733
Construction Contract Retainage	0	93,000	93,000	0
Customer Deposits	2,470	1,250	3,720	0
Due to Other Funds	11,214	1,650	12,864	2,265
	<hr/>			
Total Current Liabilities (Payable from Current Assets)	\$          57,334	\$         246,672	\$         304,006	\$          7,998
	<hr/>			
(Payable from Restricted Assets)				
Bonds Payable - Current	\$          20,000	\$         156,000	\$         176,000	\$          0
Accrued Interest Payable	5,696	19,025	24,721	0
	<hr/>			
Total Current Liabilities (Payable from Restricted Assets)	\$          25,696	\$         175,025	\$         200,721	\$          0
	<hr/>			
<u>LONG-TERM LIABILITIES</u>				
Revenue Bonds				
(Net of Current Portion)	\$          200,000	\$         1,211,000	\$         1,411,000	\$          0
Less Advance Refunding Costs	0	(5,347)	(5,347)	0
	<hr/>			
Total Long-Term Liabilities	\$          200,000	\$         1,205,653	\$         1,405,653	\$          0
	<hr/>			
TOTAL LIABILITIES	\$          283,030	\$         1,627,350	\$         1,910,380	\$          7,998
	<hr/>			
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$          558,067	\$         2,310,115	\$         2,868,182	\$         137,463
Unrestricted	142,200	842,173	984,373	57,097
	<hr/>			
TOTAL NET ASSETS	\$          700,267	\$         3,152,288	\$         3,852,555	\$         194,560

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN  
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS  
TO THE STATEMENT OF NET ASSETS  
FEBRUARY 28, 2005

Total Net Assets - Total Proprietary Funds	\$ 3,852,555
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Amounts reported for proprietary activities in the statement of  
net assets are different because:

Internal service funds are used by management to charge costs of  
certain activities, such as equipment rental, to  
individual funds. The assets and liabilities of the internal service  
funds are allocated to governmental and business activities.

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NET ASSETS OF PROPRIETARY FUNDS	<u><u>\$ 3,909,044</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
YEAR ENDED FEBRUARY 28, 2005

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE</u>			<u>INTERNAL</u>
	<u>MAJOR FUNDS</u>			<u>SERVICE</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>OPERATING REVENUES</u>				
Operating Revenues	\$ 174,298	\$ 259,722	\$ 434,020	\$ 83,250
<u>OPERATING EXPENSES</u>				
Salaries and Wages	\$ 35,381	\$ 30,310	\$ 65,691	\$ 12,189
Workers' Compensation	1,216	0	1,216	561
Contracted Services	23,031	0	23,031	0
Operating Supplies	5,501	455	5,956	6,652
Meters	2,292	0	2,292	0
Postage and Office Supplies	1,252	1,423	2,675	1,087
Bank Service Charges	1,008	445	1,453	0
Professional Services	12,266	3,835	16,101	900
Legal Fees	0	520	520	0
Permits and Fees	0	3,695	3,695	0
Education and Training	400	0	400	0
Communications	303	0	303	896
Printing and Publishing	332	1,769	2,101	0
Insurance and Bonds	4,202	4,844	9,046	3,075
Utilities	10,783	13,101	23,884	0
Repairs and Maintenance	3,073	2,505	5,578	12,486
Equipment Rental	6,194	16,862	23,056	0
Testing	879	3,312	4,191	0
Dues	1,441	93	1,534	0
Miscellaneous	0	152	152	90
Amortization	0	1,186	1,186	583
Depreciation	31,289	69,378	100,667	23,350
Total Operating Expenses	\$ 140,843	\$ 153,885	\$ 294,728	\$ 61,869
Operating Income (Loss)	\$ 33,455	\$ 105,837	\$ 139,292	\$ 21,381
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	\$ 811	\$ 9,479	\$ 10,290	\$ 413
Interest Expense	(14,370)	(7,128)	(21,498)	(411)
User Contributions	17,683	18,725	36,408	0
Lease Income	0	24,475	24,475	0
Total Nonoperating Revenues (Expenses)	\$ 4,124	\$ 45,551	\$ 49,675	\$ 2
Net Income (Loss)	\$ 37,579	\$ 151,388	\$ 188,967	\$ 21,383
Rural Utilities Service Grant	0	975,268	975,268	0
<u>TOTAL NET ASSETS - Beginning of Year</u>	662,688	2,025,632	2,688,320	173,177
<u>TOTAL NET ASSETS -End of Year</u>	\$ 700,267	\$ 3,152,288	\$ 3,852,555	\$ 194,560

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN  
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 28, 2005

Net Change in Fund Net Assets - Total Proprietary Funds	\$ 1,164,235
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Amounts reported for proprietary activities in the statement of activities are different because:

Internal service funds are used by management to charge costs of the motor pool to individual funds. The net revenue (expense) of internal service fund is reported with governmental and business-type activities.

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CHANGE IN NET ASSETS OF PROPRIETARY FUNDS

	<u><u>\$ 1,170,372</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED FEBRUARY 28, 2005

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE</u>			<u>INTERNAL</u>
	<u>MAJOR FUNDS</u>			<u>SERVICE</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 239,459	\$ 439,236	\$ 678,695	\$ 0
Cash Received from Interfund Services Provided	0	0	0	83,250
Cash Payments to Suppliers for Goods and Services	(145,951)	(319,915)	(465,866)	(35,195)
Net Cash Provided by (Used for) Operating Activities	\$ 93,508	\$ 119,321	\$ 212,829	\$ 48,055
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	\$ (64,831)	\$ (1,941,331)	\$ (2,006,162)	\$ (3,500)
Bond Proceeds	0	1,222,000	1,222,000	0
Grant Proceeds	0	753,600	753,600	0
User Contributions	17,683	18,725	36,408	0
Principal Paid on Bonds	(20,000)	(15,000)	(35,000)	(28,848)
Interest Paid on Bonds	(14,870)	(14,648)	(29,518)	(411)
Lease Income	0	24,475	24,475	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	\$ (82,018)	\$ 47,821	\$ (34,197)	\$ (32,759)
Cash Flows from Investing Activities				
Interest Income	\$ 811	\$ 9,479	\$ 0	\$ 413
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 12,301	\$ 176,621	\$ 178,632	\$ 15,709

The accompanying notes are an integral part of the financial statements.

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE</u>			INTERNAL
	<u>MAJOR FUNDS</u>			SERVICE
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	177,620	539,393	717,013	45,337
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 189,921	\$ 716,014	\$ 895,645	\$ 61,046
<u>RECONCILIATION OF OPERATING INCOME</u>				
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 33,455	\$ 105,837	\$ 139,292	\$ 21,381
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	\$ 31,289	\$ 70,564	\$ 101,853	\$ 23,933
(Increase) Decrease in Current Assets				
Accounts Receivable	(6,252)	(10,254)	(16,506)	0
Prepaid Expenses	0	(4,410)	(4,410)	(1,099)
Due from Other Funds	0	(25,926)	(25,926)	0
Increase (Decrease) in Current Liabilities				
Accounts Payable	37,762	(18,246)	19,516	3,757
Customer Deposits	192	1,250	1,442	0
Due to Other Funds	(2,938)	506	(2,432)	83
Total Adjustments	\$ 60,053	\$ 13,484	\$ 73,537	\$ 26,674
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 93,508	\$ 119,321	\$ 212,829	\$ 48,055

The accompanying notes are an integral part of the financial statements.



VILLAGE OF KINGSLEY, MICHIGAN  
COMPONENT UNITS

STATEMENT OF NET ASSETS  
FEBRUARY 28, 2005

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>
<u>ASSETS</u>	
Cash	\$ 5,969
Receivables	
Taxes	522
Total Current Assets	<u>\$ 6,491</u>
<u>LIABILITIES</u>	
Deferred Revenue	\$ 212
<u>EQUITY</u>	
Net Assets:	
Unrestricted	<u>6,279</u>
TOTAL NET ASSETS	<u><u>\$ 6,491</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN  
COMPONENT UNITS

STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 28, 2005

PROGRAM REVENUES

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTALS
<u>Nonmajor Component Unit</u>				
<u>Downtown Development Authority</u>	\$ 0	\$ 0	\$ 0	\$ 0

GENERAL REVENUES

Property Tax	\$ 6,274
Unrestricted Investment Earnings	<u>5</u>
Total General Revenues	<u>\$ 6,279</u>
Change in Net Assets	\$ 6,279
NET ASSETS - Beginning of Year	<u>0</u>
NET ASSETS - End of Year	<u><u>\$ 6,279</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Village of Kingsley, Michigan, is a general law village incorporated under the General Village Act of 1895. As required by generally accepted accounting principles, these financial statements present all activities of the Village. Entities for which the Village is considered to be financially accountable are called component units. The Village has one component unit, the Downtown Development Authority.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

The Village of Kingsley reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Recreation Complex Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

*Fiduciary funds* are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Village in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Village under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *Oil, Gas and Mineral Trust Fund* is a *permanent fund* and uses the accrual method of accounting. Permanent funds account for assets that are legally restricted to the extent that only the earnings, and not the principal, may be used.

The Village of Kingsley reports the following major proprietary funds:

The *Water Fund and Sewer Fund* record financial activity of the water system which provides water to customers and the operations of the Village's sanitary sewer system.

Additionally the Village of Kingsley reports the following fund types:

*Internal Service Funds* account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the

## VILLAGE OF KINGSLEY, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds and of the Village's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities and Equity**

##### ***1. Deposits and Investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The Village's investment policy is in compliance with state law and authorizes the Village to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes.

Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

##### ***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after August 14. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Village of Kingsley totaled \$20,230,130, on which ad valorem taxes levied consisted of 10.1677 mills for the Village of Kingsley operating purposes.

***3. Inventories and Prepaid Items***

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***4. Restricted Assets***

Certain resources of the Water and Sewer Funds which are set aside for repayment of revenue bonds, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "bond reserve" account is used to report resources set aside to make current debt service payments and to make up potential future deficiencies in the funds available for debt service. The "bond replacement" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

***5. Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component unit are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Infrastructure	50
Land Improvements	20
Machinery and Equipment	5-10
Office Equipment	5-10
Vehicles	5-10

**6. *Compensated Absences***

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**7. *Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005

**9. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

1. Prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The Village Council holds a public hearing and adopts a resolution approving the budgets.
3. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
4. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
5. Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year.
6. Encumbrance accounting is not employed in governmental funds.

**B. Major funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
Public Works	\$ 60,000	\$	89,970
Culture and Recreation	20,000		36,223
Local Street Fund			
Public Works	77,595		78,023

No budget was adopted for the Oil, Gas and Mineral Trust Fund.

These overages were funded by greater than anticipated revenues or beginning fund balance.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

At year end, the carrying amount of the Village's deposits was \$1,561,422 and the bank balance was \$1,564,422. Of the bank balance, \$444,107 was covered by federal depository insurance and \$1,120,731 was uninsured and uncollateralized. The carrying amount of the Downtown Development Authority deposits was \$5,969 which was equal to the bank balance and fully insured.

The Oil, Gas and Mineral Trust Fund's investments are uninsured and unregistered investments for which the securities are held by Northwestern Bank trust department in the Village's name. The amounts of such investments at year-end are shown below and are reported at fair value as determined by Northwestern Bank.

	COST	FAIR VALUE
Federal Home Loan Mortgage Corporation Bonds	\$ 149,469	\$ 148,874
Federal Home Loan Bank Bonds	227,784	225,668
Federal Farm Credit Bonds	199,562	197,914
Federal National Mortgage Association Bonds	47,235	48,141
Federal Home Loan Mortgage Association Bonds	50,000	49,977
Mutual Funds	36,254	36,254
	<u>\$ 710,304</u>	<u>\$ 706,828</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Oil, Gas And Mineral Trust	Water	Sewer	Total
Receivables					
Taxes	\$ 1,255	\$ 0	\$ 0	\$ 0	1,255
Accounts	12,564	0	15,289	30,475	58,328
Rural Utilities Service					
Grant Receivable	0	0	0	221,668	221,668
Accrued Interest	0	7,378	0	0	7,378
Receivables	<u>\$ 13,819</u>	<u>\$ 7,378</u>	<u>\$ 15,289</u>	<u>\$ 252,143</u>	<u>\$ 288,629</u>

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 38,329	\$ 0	\$ 0	\$ 38,329
Capital assets, being depreciated				
Buildings	\$ 94,501	\$ 15,086	\$ 0	\$ 109,587
Land Improvements	311,269	0	0	311,269
Machinery and Equipment	99,066	18,881	0	117,947
Office Equipment	22,446	0	0	22,446
Infrastructure	969,001	88,411	0	1,057,412
Total capital assets, being depreciated	\$ 1,496,283	\$ 122,378	\$ 0	1,618,661
Less accumulated depreciation	(327,416)	(41,586)	0	(369,002)
Total capital assets, being depreciated, net	\$ 1,168,867	\$ 80,792	\$ 0	\$ 1,249,659
Governmental activities capital assets, net	\$ 1,207,196	\$ 80,792	\$ 0	\$ 1,287,988
Internal Service Fund net capital assets				98,011
Net Capital Assets per Statement of Net Assets				\$ 1,385,999

Business-Type Activities

Capital assets, not being depreciated				
Land	\$ 183,491	\$ 55,808	\$ 0	\$ 239,299
Construction in Progress	0	2,194,653	0	2,194,653
Total capital assets, not being depreciated	\$ 183,491	\$ 2,250,461	\$ 0	\$ 2,433,952
Capital assets, being depreciated				
Water and Sewer System	\$ 4,181,685	\$ 33,910	\$ 0	\$ 4,215,595
Land Improvements	18,005	0	0	18,005
Machinery and Equipment	174,179	17,916	0	192,095
Total capital assets, being depreciated	\$ 4,373,869	\$ (51,826)	\$ 0	\$ 4,425,695

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation	(2,210,798)	(100,667)	0	(2,311,465)
Total capital assets, being depreciated, net	\$ 2,163,071	\$ (488,411)	\$ 0	\$ 2,114,230
Business-type activities capital assets, net	\$ 2,346,562	\$ 2,201,620	\$ 0	\$ 4,548,182
Internal Service Fund net capital assets				39,452
Net Capital Assets per Statement of Net Assets				\$ 4,587,634

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 17,947
Public Works	20,572
Recreation and Culture	3,067
Total depreciation expense - governmental activities	\$ 41,586
Business-type activities:	
Water and Sewer	\$ 100,667
Total depreciation expense - business-type activities	\$ 100,667

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at February 28, 2005, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 11,322	\$ 1,020
Special Revenue Funds		
Major Street	0	13,447
Local Street	1,000	15,172
Enterprise Funds		
Water	20	11,214
Sewer	32,426	1,650
Internal Service Fund		
Equipment Fund	0	2,265
	\$ 44,768	\$ 44,768

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at February 28, 2005, are expected to be repaid within one year.

Interfund Transfers as of February 28, 2005, were:

	TRANSFERS	
	IN	OUT
<u>Primary Government</u>		
General Fund	\$ 0	\$ 31,000
Major Street Fund	0	7,500
Local Street Fund	38,500	0
	<u>\$ 38,500</u>	<u>\$ 38,500</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**F. Long-Term Debt**

***1. Primary Government***

The following is a summary of debt transactions of the Village of Kingsley for the year ended February 28, 2005:

Governmental Activities:

	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENTS	COMPENSATED ABSENCES	TOTAL
Debt Payable at March 1, 2004	\$ 400,000	\$ 125,355	\$ 13,028	\$ 538,383
New Debt Incurred	1,222,000	0	0	1,222,000
Debt Retired	(35,000)	(49,906)	(5,712)	(90,618)
Debt Payable at February 28,	<u>\$ 1,587,000</u>	<u>\$ 75,449</u>	<u>\$ 7,316</u>	<u>\$ 1,669,765</u>
Due within one year	<u>\$ 51,000</u>	<u>\$ 21,769</u>	<u>\$ N/A</u>	<u>\$ 72,769</u>

Debt payable at February 28, 2005 is comprised of the following individual issues:

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005

Revenue Bonds:

\$215,000 Sanitary Sewer System Refunding Bonds, due in annual installments of \$15,000 to \$20,000 through June 1, 2013; plus interest at 4.80%. The Village has passed a resolution to call the bonds within a year.	\$ 145,000
\$410,000 Water Revenue Bonds due in annual installments of \$25,000 to \$30,000 through October 1, 2012; plus interest at 6.05% to 6.30%.	220,000
\$1,222,000 Junior Lien Sewer Revenue Bonds, due in annual installments of \$11,000 to \$65,000 through May 1, 2044; plus interest at 4.375%	1,222,000

Installment Purchase Agreements:

\$135,800 Streetscape Installment Purchase Agreement payable in monthly installments of \$2,070 including interest at 4.69%. The Village has been paying an extra \$2,100 per month on the principal.	75,449
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Other Long-Term Debt

Accumulated sick pay owed to Village employees	7,316
	<u>\$ 1,669,765</u>

The annual requirements to amortize these debts outstanding other than compensated absences as of February 28, 2005, including interest payments of \$1,472,384, are as follows:

<u>YEAR</u> <u>ENDING FEBRUARY 28,</u>	<u>REVENUE</u> <u>BONDS</u>	<u>INSTALLMENT</u> <u>PURCHASE</u> <u>AGREEMENT</u>	<u>TOTAL</u>
2006			
PRINCIPAL	\$ 51,000	\$ 21,769	\$ 72,769
INTEREST	72,689	3,075	75,764
TOTAL	\$ 123,689	\$ 24,844	\$ 148,533
2007			
PRINCIPAL	\$ 52,000	\$ 22,813	\$ 74,813
INTEREST	70,757	2,031	72,788
TOTAL	\$ 122,757	\$ 24,844	\$ 147,601
2008			
PRINCIPAL	\$ 52,000	\$ 23,906	\$ 75,906
INTEREST	67,986	938	68,924
TOTAL	\$ 119,986	\$ 24,844	\$ 144,830
2009			
PRINCIPAL	\$ 53,000	\$ 6,961	\$ 59,961
INTEREST	65,181	58	65,239
TOTAL	\$ 118,181	\$ 7,019	\$ 125,200

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005

	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENT	TOTAL
2010			
PRINCIPAL	\$ 59,000	\$ 0	\$ 59,000
INTEREST	62,322	0	62,322
TOTAL	\$ 121,322	\$ 0	\$ 121,322
2011-2015			
PRINCIPAL	\$ 238,000	\$ 0	\$ 238,000
INTEREST	264,068	0	264,068
TOTAL	\$ 502,068	\$ 0	\$ 502,068
2016-2020			
PRINCIPAL	\$ 97,000	\$ 0	\$ 97,000
INTEREST	226,384	0	226,384
TOTAL	\$ 323,384	\$ 0	\$ 323,384
2021-2025			
PRINCIPAL	\$ 120,000	\$ 0	\$ 120,000
INTEREST	202,785	0	202,785
TOTAL	\$ 322,785	\$ 0	\$ 322,785
2026-2030			
PRINCIPAL	\$ 150,000	\$ 0	\$ 150,000
INTEREST	173,427	0	173,427
TOTAL	\$ 323,427	\$ 0	\$ 323,427
2031-2035			
PRINCIPAL	\$ 187,000	\$ 0	\$ 187,000
INTEREST	136,697	0	136,697
TOTAL	\$ 323,697	\$ 0	\$ 323,697
2036-2040			
PRINCIPAL	\$ 235,000	\$ 0	\$ 235,000
INTEREST	90,671	0	90,671
TOTAL	\$ 325,671	\$ 0	\$ 325,671
2041-2044			
PRINCIPAL	\$ 293,000	\$ 0	\$ 293,000
INTEREST	33,315	0	33,315
TOTAL	\$ 326,315	\$ 0	\$ 326,315
GRAND TOTAL			
PRINCIPAL	\$ 1,587,000	\$ 75,449	\$ 1,662,449
INTEREST	1,466,282	6,102	1,472,384
TOTAL	\$ 3,053,282	\$ 81,551	\$ 3,134,833

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

**IV. OTHER INFORMATION**

**A. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

The Village participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and worker's disability compensation. The pools are considered public entity risk pools. The Village pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The Village has not been informed to any special assessments being required for the current year or the three prior years.

The Village continued to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**B. Segment Information – Enterprise Funds**

The Village maintains two enterprise funds. The Water Fund and Sanitary Sewer System Fund account for the provision of basic utility services for all citizens. Selected segment information for the year ended February 28, 2005, is as follows:

	WATER FUND	SANITARY SEWER SYSTEM FUND	Total
Operating Revenues	\$ 174,298	\$ 259,722	\$ 434,020
Depreciation/Amortization	31,829	70,564	102,393
Operating Income (Loss)	33,455	105,837	139,292
Nonoperating Revenues (Expenses)	4,124	45,551	49,675
Net Income (Loss)	37,579	151,388	188,967
Current Capital Grants	0	975,268	975,268
Fixed Asset Additions	64,831	2,181,649	2,246,480
Net Working Capital	86,462	762,851	849,313
Total Assets	983,297	4,779,638	5,762,935
Bonds Payable	220,000	1,361,653	1,581,653
Total Equity	700,267	3,152,288	3,852,555



VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2005

**C. Retirement Benefits**

Retirement benefits are provided to full-time Village employees through contributions to individual retirement accounts. Such contributions equal five percent of each employee's base pay. Individual retirement account balances become the property of the employee immediately. Therefore, there are no plan assets or liabilities which would be included as part of the Village reporting entity. Covered wages were \$85,860 and total wages were \$197,339.

VILLAGE OF KINGSLEY, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND				RECREATIONAL COMPLEX CAPITAL PROJECT FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Taxes	\$ 195,200	\$ 195,200	\$ 202,996	\$ 7,796	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	600	600	4,499	3,899	0	0	0	0	0	0	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State Grants	145,000	145,000	134,558	(10,442)	70,000	70,000	71,743	1,743	29,000	29,000	35,240	6,240	0	0	0	0
Contributions from Local Units	0	0	0	0	0	0	0	0	0	0	0	0	65,000	65,000	65,500	500
Charges for Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fines and Forfeits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Rents	3,500	3,500	5,089	1,589	200	200	408	208	50	50	136	86	0	0	600	600
Gain (Loss) On Sale of Investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Revenue	118,700	118,700	122,255	3,555	0	0	0	0	0	0	0	0	0	0	46,046	46,046
<b>Total Revenues</b>	<b>\$ 463,000</b>	<b>\$ 463,000</b>	<b>\$ 469,397</b>	<b>\$ 6,397</b>	<b>\$ 70,200</b>	<b>\$ 70,200</b>	<b>\$ 72,151</b>	<b>\$ 1,951</b>	<b>\$ 29,050</b>	<b>\$ 29,050</b>	<b>\$ 35,376</b>	<b>\$ 6,326</b>	<b>\$ 65,000</b>	<b>\$ 65,000</b>	<b>\$ 112,146</b>	<b>\$ 47,146</b>
Legislative	\$ 25,000	\$ 25,000	\$ 19,043	5,957	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0	0
General Government	261,500	266,000	264,406	1,594	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	40,000	40,000	7,906	32,094	0	0	0	0	0	0	0	0	0	0	0	0
Public Works	60,000	60,000	89,970	(29,970)	137,700	98,505	70,314	28,191	75,550	77,595	78,023	(428)	0	0	0	0
Planning	25,000	15,000	6,742	8,258	0	0	0	0	0	0	0	0	0	0	0	0
Culture and Recreation	20,000	20,000	36,223	(16,223)	0	0	0	0	0	0	0	0	75,000	56,000	35,316	20,684
Trust Fund Activities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Functions	320,000	310,000	88,687	221,313	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 751,500</b>	<b>\$ 736,000</b>	<b>\$ 512,977</b>	<b>\$ 223,023</b>	<b>\$ 137,700</b>	<b>\$ 98,505</b>	<b>\$ 70,314</b>	<b>\$ 28,191</b>	<b>\$ 75,550</b>	<b>\$ 77,595</b>	<b>\$ 78,023</b>	<b>\$ (428)</b>	<b>\$ 75,000</b>	<b>\$ 56,000</b>	<b>\$ 35,316</b>	<b>\$ 20,684</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ (288,500)</b>	<b>\$ (273,000)</b>	<b>\$ (43,580)</b>	<b>\$ 229,420</b>	<b>\$ (67,500)</b>	<b>\$ (28,305)</b>	<b>\$ 1,837</b>	<b>\$ 30,142</b>	<b>\$ (46,500)</b>	<b>\$ (48,545)</b>	<b>\$ (42,647)</b>	<b>\$ 5,898</b>	<b>\$ (10,000)</b>	<b>\$ 9,000</b>	<b>\$ 76,830</b>	<b>\$ 67,830</b>
Loan Proceeds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	22,000	22,000	0	(22,000)	50,000	0	0	0	37,500	37,500	38,500	1,000	0	0	0	0
Transfers Out	(132,000)	(132,000)	(31,000)	101,000	(7,500)	(7,500)	(7,500)	0	0	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (110,000)</b>	<b>\$ (110,000)</b>	<b>\$ (31,000)</b>	<b>\$ 79,000</b>	<b>\$ 42,500</b>	<b>\$ (7,500)</b>	<b>\$ (7,500)</b>	<b>\$ 0</b>	<b>\$ 37,500</b>	<b>\$ 37,500</b>	<b>\$ 38,500</b>	<b>\$ 1,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Change in Fund Balance</b>	<b>\$ (398,500)</b>	<b>\$ (383,000)</b>	<b>\$ (74,580)</b>	<b>\$ 308,420</b>	<b>\$ (25,000)</b>	<b>\$ (35,805)</b>	<b>\$ (5,663)</b>	<b>\$ 30,142</b>	<b>\$ (9,000)</b>	<b>\$ (11,045)</b>	<b>\$ (4,147)</b>	<b>\$ 6,898</b>	<b>\$ (10,000)</b>	<b>\$ 9,000</b>	<b>\$ 76,830</b>	<b>\$ 67,830</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>404,000</b>	<b>402,000</b>	<b>381,484</b>	<b>(20,516)</b>	<b>25,000</b>	<b>25,000</b>	<b>35,059</b>	<b>10,059</b>	<b>9,000</b>	<b>9,000</b>	<b>4,354</b>	<b>(4,646)</b>	<b>10,000</b>	<b>35,500</b>	<b>39,967</b>	<b>4,467</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 5,500</b>	<b>\$ 19,000</b>	<b>\$ 306,904</b>	<b>\$ 287,904</b>	<b>\$ 0</b>	<b>\$ (10,805)</b>	<b>\$ 29,396</b>	<b>\$ 40,201</b>	<b>\$ 0</b>	<b>\$ (2,045)</b>	<b>\$ 207</b>	<b>\$ 2,252</b>	<b>\$ 0</b>	<b>\$ 44,500</b>	<b>\$ 116,797</b>	<b>\$ 72,297</b>

VILLAGE OF KINGSLEY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
DOWNTOWN DEVELOPMENT AUTHORITY FUND  
BALANCE SHEET

FEBRUARY 28, 2005

ASSETS

Cash	
Checking Account	\$ 5,969
Receivables	
Taxes	<u>522</u>
TOTAL ASSETS	<u>\$ 6,491</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$ 212
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FUND BALANCE

Unreserved	<u>6,279</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,491</u>
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VILLAGE OF KINGSLEY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

DOWNTOWN DEVELOPMENT AUTHORITY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28, 2005

REVENUES

Taxes

Property Taxes

\$ 6,274

Interest and Rents

Interest

5

Total Revenues

\$ 6,279

EXPENDITURES

0

Excess (Deficiency) of Revenues Over Expenditures

\$ 6,279

FUND BALANCE - Beginning of Year

0

FUND BALANCE - End of Year

\$ 6,279

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

ASSETS

	2005	2004
Cash		
Checking Account	\$ 154,826	\$ 194,650
Savings Accounts	175,878	149,658
Imprest (Petty)	50	50
Receivables		
Taxes	1,255	642
Accounts	12,564	14,770
Due from Other Governments	24,235	23,686
Due from Other Funds		
Major Street Fund	1,608	207
Local Street Fund	2,020	0
Sewer Fund	1,650	1,144
Water Fund	3,779	14,152
Equipment Fund	2,265	2,182
Prepaid Expenditures	6,146	0
TOTAL ASSETS	<u>\$ 386,276</u>	<u>\$ 401,141</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 38,116	\$ 8,327
Due to Other Funds		
Local Street Fund	1,000	0
Water Fund	20	20
Due to Other Governments	840	0
Customer Deposits	27,191	3,750
Payroll Deductions Payable	3,972	1,049
Accrued Wages	1,900	5,774
Accrued Retirement Benefits	4,318	0
Accrued Taxes Payable	2,015	737
Total Liabilities	<u>\$ 79,372</u>	<u>\$ 19,657</u>

FUND BALANCE

Unreserved	\$ 300,758	\$ 367,332
Reserved for:		
Advances	0	14,152
Prepaid Expenditures	6,146	0
Total Fund Balance	<u>\$ 306,904</u>	<u>\$ 381,484</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 386,276</u>	<u>\$ 401,141</u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

<u>REVENUES</u>	2005	2004
Taxes	\$ 202,996	\$ 197,946
Licenses and Permits	4,499	8,798
State Grants	134,558	138,858
Interest and Rents	5,089	4,891
Other Revenues	122,255	120,109
Total Revenues	\$ 469,397	\$ 470,602
<u>EXPENDITURES</u>		
Legislative	\$ 19,043	\$ 12,596
General Government	264,406	249,740
Public Safety	7,906	7,373
Public Works	89,970	57,698
Planning	6,742	5,874
Recreation and Cultural	36,223	12,563
Other Functions	88,687	74,588
Total Expenditures	\$ 512,977	\$ 420,432
Excess of Revenues Over (Under) Expenditures	\$ (43,580)	\$ 50,170
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	31,000	(22,634)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (12,580)	\$ 27,536
<u>FUND BALANCE</u> - Beginning of Year	381,484	353,948
<u>FUND BALANCE</u> - End of Year	\$ 368,904	\$ 381,484

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>TAXES</u>		
Current Property Tax	\$ 201,262	\$ 193,779
Delinquent Property Tax	661	308
Property Tax Administration Fee	1,022	966
Trailer Park Fees	0	2,879
Penalties and Interest	51	14
Total Taxes	<u>\$ 202,996</u>	<u>\$ 197,946</u>
<u>LICENSES AND PERMITS</u>		
Land Use Permits	\$ 550	\$ 845
Franchise Fees	3,949	7,953
Total Licenses and Permits	<u>\$ 4,499</u>	<u>\$ 8,798</u>
<u>STATE GRANTS</u>		
Sales Tax	<u>\$ 134,558</u>	<u>\$ 138,858</u>
<u>INTEREST AND RENTS</u>		
Interest	<u>\$ 5,089</u>	<u>\$ 4,891</u>
<u>OTHER REVENUE</u>		
Wage Reimbursements	\$ 118,514	\$ 101,666
Ordinances	435	670
Contributions from Private Sources	0	14,000
Refunds and Miscellaneous	3,306	3,773
Total Other Revenue	<u>\$ 122,255</u>	<u>\$ 120,109</u>
 TOTAL REVENUES	 <u><u>\$ 469,397</u></u>	 <u><u>\$ 470,602</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>LEGISLATIVE</u>		
Village Council		
Salaries and Wages		
Council	\$ 7,806	\$ 5,981
Office Supplies	2,561	46
Membership and Dues	1,259	0
Professional Services	2,978	5,247
Contracted Services	2,064	0
Transportation	0	19
Printing and Publishing	692	1,059
Education and Training	885	0
Miscellaneous	798	244
Total Legislative	<u>\$ 19,043</u>	<u>\$ 12,596</u>
 <u>GENERAL GOVERNMENT</u>		
Manager		
Salaries and Wages	\$ 54,505	\$ 46,377
Office Supplies	229	28
Professional Services	100	0
Communications	46	560
Transportation	873	826
Printing and Publishing	422	311
Repairs and Maintenance	15	0
Dues and Fees	618	1,870
Education and Training	224	279
Miscellaneous	119	0
Elections		
Salaries and Wages	481	601
Office Supplies	0	56
Professional Services	0	341
Printing and Publishing	209	53
Education and Training	12	0
Independent Audit		
Professional Services	2,500	2,545



VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
Attorney		
Legal Fees	11,661	8,334
Village Clerk's Office		
Salaries and Wages	20,962	17,996
Office Supplies	4,512	2,137
Postage	2,173	1,914
Operating Supplies	1,979	1,078
Professional Fees	0	511
Transportation	193	26
Printing and Publishing	62	0
Rentals	36	0
Repairs and Maintenance	0	309
Miscellaneous	27	264
Dues and Fees	102	55
Education and Training	75	0
Capital Outlay	0	670
Downtown Development Authority		
Supplies	61	11
Professional Services	4,784	16,870
Contracted Services	109	1,535
Transportation	67	0
Printing and Publishing	0	546
Education and Training	36	60
Dues and Fees	155	100
Treasurer's Office		
Salaries and Wages	3,320	852
Office Supplies	417	399
Contracted Services	390	315
Transportation	67	0
Printing and Publishing	37	0
Dues and Fees	542	0
Education and Training	357	0

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	2005	2004
Buildings and Grounds - Village Hall		
Salaries and Wages	95,086	89,574
Office Supplies	3,713	0
Operating Supplies	2,620	2,197
Professional Fees	1,103	6,018
Contracted Services	7,180	4,322
Communications	5,386	4,570
Utilities	12,097	6,879
Repairs and Maintenance	2,392	1,715
Equipment Rental	21,137	18,454
Miscellaneous	0	412
Dues and Fees	65	180
Capital Outlay	1,150	7,590
Total General Government	<u>\$ 264,406</u>	<u>\$ 249,740</u>
 <u>PUBLIC SAFETY</u>		
Aid to Other Governmental Units	<u>\$ 7,906</u>	<u>\$ 7,373</u>
 <u>PUBLIC WORKS</u>		
Department of Public Works		
Wages	\$ 22,273	\$ 1,173
Office Supplies	157	77
Operating Supplies	1,209	304
Professional Services	343	230
Contracted Services	3,800	385
Communications	1,300	1,275
Transportation	123	330
Printing and Publishing	296	364
Hydrant Maintenance	48,384	37,542
Clothing Allowance	376	803
Street Lighting		
Utilities	11,709	9,569
Repair and Maintenance	0	300
Capital Outlay	0	5,346
Total Public Works	<u>\$ 89,970</u>	<u>\$ 57,698</u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>PLANNING</u>		
Planning and Zoning Board		
Salaries and Wages	\$ 2,380	\$ 3,925
Professional Services	3,503	150
Printing and Publishing	829	871
Supplies	19	13
Transportation	11	0
Education and Training	0	915
Total Planning	<u>\$ 6,742</u>	<u>\$ 5,874</u>
<u>RECREATION AND CULTURAL</u>		
Parks and Recreation		
Professional Services	\$ 682	\$ 1,091
Contracted Services	910	1,685
Printing and Publishing	0	97
Capital Outlay	34,631	9,690
Total Recreation and Cultural	<u>\$ 36,223</u>	<u>\$ 12,563</u>
<u>OTHER FUNCTIONS</u>		
Fringe Benefits		
Social Security	\$ 11,874	\$ 10,278
Medicare	2,964	2,404
Health and Life Insurance	24,117	20,204
Retirement	4,293	4,293
Workers Compensation	516	936
Insurance		
Property and Liability Insurance	17,118	11,248
Other		
Miscellaneous	2,605	10
Loan Principal Payments	21,058	20,019
Interest Expense	4,142	5,196
Total Other Functions	<u>\$ 88,687</u>	<u>\$ 74,588</u>
 TOTAL EXPENDITURES	 <u><u>\$ 512,977</u></u>	 <u><u>\$ 420,432</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF OTHER FINANCING SOURCES (USES)

YEAR ENDED FEBRUARY 28.

	<u>2005</u>	<u>2004</u>
<u>OTHER FINANCING (USES)</u>		
Transfers Out		
Local Street Fund	\$ (31,000)	\$ (7,000)
Recreational Complex Capital Project Fund	0	(1,000)
Equipment Fund	0	(14,634)
	<u>0</u>	<u>(15,634)</u>
Total Other Financing (Uses)	<u>\$ (31,000)</u>	<u>\$ (22,634)</u>

VILLAGE OF KINGSLEY, MICHIGAN

MAJOR STREET FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2005	2004
<u>ASSETS</u>		
Cash		
Checking Account	\$ 34,920	\$ 25,721
Due from Other Governments	12,335	17,041
TOTAL ASSETS	<u>\$ 47,255</u>	<u>\$ 42,762</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,412	\$ 7,496
Due to Other Funds		
General Fund	1,608	207
Sewer Fund	11,839	0
Total Liabilities	\$ 17,859	\$ 7,703
<u>FUND BALANCE</u>		
Unreserved	29,396	35,059
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 47,255</u>	<u>\$ 42,762</u>

VILLAGE OF KINGSLEY, MICHIGAN

MAJOR STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
State Grants		
Michigan Transportation Fund (Act 51)	\$ 71,743	\$ 73,518
Interest and Rents		
Interest	408	266
Total Revenues	\$ 72,151	\$ 73,784
<u>EXPENDITURES</u>		
Public Works		
Routine Maintenance		
Salaries and Wages	\$ 9,018	\$ 12,179
Materials and Supplies	646	697
Equipment Rental	12,905	12,512
Grass and Weed Control	0	65
Winter Maintenance		
Salaries and Wages	3,233	5,790
Materials and Supplies	6,491	7,584
Equipment Rental	6,157	3,906
Signs and Signals		
Repairs and Maintenance	2,456	2,445
Administration and General		
Salaries and Wages	105	105
Office Supplies	103	0
Workers Compensation	737	737
Professional Services	400	350
Insurance	311	204
Engineering	0	3,267

VILLAGE OF KINGSLEY, MICHIGAN

MAJOR STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
Construction		
Streets	15,913	0
Storm Sewers	11,839	0
Total Expenditures	\$ 70,314	\$ 49,841
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,837	\$ 23,943
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
Local Street Fund	\$ (7,500)	\$ (7,500)
Equipment Fund	0	(4,422)
Total Other Financing Sources (Uses)	\$ (7,500)	\$ (11,922)
Excess of Revenues Over (Under)		
Expenditures and Other Sources (Uses)	\$ (5,663)	\$ 12,021
<u>FUND BALANCE</u> - Beginning of Year	35,059	23,038
<u>FUND BALANCE</u> - End of Year	\$ 29,396	\$ 35,059

VILLAGE OF KINGSLEY, MICHIGAN

LOCAL STREET FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2005	2004
<u>ASSETS</u>		
Cash		
Checking Account	\$ 13,570	\$ 2,799
Due from Other Funds	1,000	0
Due from Other Governmental Units	5,203	11,090
TOTAL ASSETS	<u>\$ 19,773</u>	<u>\$ 13,889</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,394	\$ 3,035
Due to Other Funds		
General Fund	2,020	0
Sewer Fund	13,152	6,500
TOTAL LIABILITIES	\$ 19,566	\$ 9,535
<u>FUND BALANCE</u>		
Unreserved	207	4,354
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 19,773</u>	<u>\$ 13,889</u>



VILLAGE OF KINGSLEY, MICHIGAN

LOCAL STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	2005	2004
<u>REVENUES</u>		
State Grants		
Michigan Transportation Fund (Act 51)	\$ 29,869	\$ 32,423
Telecommunications Right of Way Maintenance	5,371	0
Interest and Rents		
Interest	136	54
Total Revenues	\$ 35,376	\$ 32,477
<u>EXPENDITURES</u>		
Public Works		
Routine Maintenance		
Salaries and Wages	\$ 9,000	\$ 9,382
Materials and Supplies	811	501
Repair and Maintenance	0	8,981
Equipment Rental	8,472	12,085
Winter Maintenance		
Salaries and Wages	3,553	1,623
Materials and Supplies	7,751	5,670
Equipment Rental	6,638	1,311
Signs and Signals		
Materials and Supplies	108	169
Administration		
Salaries and Wages	45	45
Office Supplies	101	0
Workers' Compensation	737	737
Professional Services	1,055	350
Insurance	311	205
Engineering	1,000	8,711
Construction		
Streets	31,789	0
Storm Sewers	6,652	0
Total Expenditures	\$ 78,023	\$ 49,770
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,647)	\$ (17,293)

VILLAGE OF KINGSLEY, MICHIGAN

LOCAL STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	2005	2004
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
General Fund	\$ 31,000	\$ 7,000
Major Street Fund	7,500	7,500
Equipment Fund	0	(2,211)
Total Other Financing Sources (Uses)	\$ 38,500	\$ 12,289
Excess (Deficiency) of Revenues Over Expenditures and Other Sources	\$ (4,147)	\$ (5,004)
<u>FUND BALANCE</u> - Beginning of Year	4,354	9,358
<u>FUND BALANCE</u> - End of Year	\$ 207	\$ 4,354

VILLAGE OF KINGSLEY, MICHIGAN

RECREATIONAL COMPLEX CAPITAL PROJECT FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Checking Account	\$ 21,331	\$ 39,967
Certificate of Deposit	95,466	0
TOTAL ASSETS	<u>\$ 116,797</u>	<u>\$ 39,967</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved	<u>116,797</u>	<u>39,967</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 116,797</u>	<u>\$ 39,967</u>

VILLAGE OF KINGSLEY, MICHIGAN

RECREATIONAL COMPLEX CAPITAL PROJECT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

REVENUES

	2005	2004
Contributions from Local Units	\$ 65,500	\$ 77,000
Interest and Rents		
Interest	600	252
Other Income		
Fundraising Income	3,546	5,760
Private Contributions	35,000	100
Refunds and Rebates	0	1,873
Sale of Timber	7,500	29,417
Total Revenues	\$ 112,146	\$ 114,402

EXPENDITURES

Audit	\$ 400	\$ 200
Fundraising Expense	1,690	1,440
Contracted Services	1,913	63,486
Capital Outlay	20,404	22,825
Materials and Supplies	4,051	7,654
Fees and Permits	400	1,250
Equipment Rental	5,005	10,310
Operating Supplies	743	51
Printing and Publishing	21	243
Fuel and Oil	268	2,666
Electric	421	0
Total Expenditures	\$ 35,316	\$ 110,125
Excess (Deficiency) of Revenues Over Expenditures	\$ 76,830	\$ 4,277

OTHER FINANCING SOURCES

Transfers In		
General Fund	0	1,000
Excess (Deficiency) of Revenues Over Expenditures and Other Sources	\$ 76,830	\$ 5,277

<u>FUND BALANCE</u> - Beginning of Year	39,967	34,690
<u>FUND BALANCE</u> - End of Year	\$ 116,797	\$ 39,967

VILLAGE OF KINGSLEY, MICHIGAN

OIL, GAS AND MINERAL TRUST FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 98,400	\$ 70,639
Investments	706,828	711,116
Accrued Interest Receivable	7,378	7,494
TOTAL ASSETS	<u>\$ 812,606</u>	<u>\$ 789,249</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>		
Reserved for:		
Endowments	\$ 704,902	\$ 709,190
Civic Improvements	107,704	80,059
Total Fund Balance	<u>\$ 812,606</u>	<u>\$ 789,249</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 812,606</u>	<u>\$ 789,249</u>

VILLAGE OF KINGSLEY, MICHIGAN

OIL, GAS AND MINERAL TRUST FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	2005	2004
<u>REVENUES</u>		
Interest and Rents		
Investment Income	\$ 20,153	\$ 26,574
Oil and Gas Royalties	8,204	8,262
Total Revenues	\$ 28,357	\$ 34,836
<u>EXPENDITURES</u>		
Trust Fund Activities		
Trustee Fees	5,000	5,000
Excess (Deficiency) of Revenues Over Expenditures	\$ 23,357	\$ 29,836
<u>FUND BALANCE</u> - Beginning of Year	789,249	759,413
<u>FUND BALANCE</u> - End of Year	\$ 812,606	\$ 789,249

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Operating Fund	\$ 7,266	\$ 3,472
Receiving Fund	58,534	49,678
Construction Fund	8,673	26,639
Water Tower	22,376	16,184
Accounts Receivable	15,289	9,037
Due from General Fund	20	20
	<hr/>	<hr/>
Total Current Assets	\$ 112,158	\$ 105,030
	<hr/>	<hr/>
<u>RESTRICTED ASSETS</u>		
Cash		
Bond and Interest Redemption Fund	\$ 49,830	\$ 36,975
Bond Reserve Fund	43,242	44,672
	<hr/>	<hr/>
Total Restricted Assets	\$ 93,072	\$ 81,647
	<hr/>	<hr/>
<u>FIXED ASSETS</u>		
Land	\$ 16,781	\$ 16,781
Construction In Progress	30,920	0
Machinery and Equipment	1,064	1,064
Water System		
Wells and Well Houses	291,511	291,511
Water Tank	239,870	239,870
Water Mains	741,511	707,600
Accumulated Depreciation	(543,590)	(512,301)
	<hr/>	<hr/>
Total Fixed Assets	\$ 778,067	\$ 744,525
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 983,297</u>	<u>\$ 931,202</u>

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2005	2004
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</u>		
Accounts Payable	\$ 43,650	\$ 5,888
Customer Deposits	2,470	2,278
Due to Other Funds	11,214	14,152
Total Current Liabilities (Payable from Current Assets)	\$ 57,334	\$ 22,318
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Revenue Bonds Payable- Current Portion	\$ 20,000	\$ 20,000
Accrued Interest Payable	5,696	6,196
Total Current Liabilities (Payable from Current Assets)	\$ 25,696	\$ 26,196
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable (Net of Current Portion)	\$ 200,000	\$ 220,000
Total Liabilities	\$ 283,030	\$ 268,514
<u>FUND EQUITY</u>		
Retained Earnings	700,267	662,688
TOTAL LIABILITIES AND FUND EQUITY	\$ 983,297	\$ 931,202



VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sales	\$ 118,278	\$ 116,099
Hydrant Rental	48,384	37,542
Water Tower Lease	6,600	7,100
Other Revenue	1,036	628
	<hr/>	<hr/>
Total Operating Revenues	\$ 174,298	\$ 161,369
	<hr/>	<hr/>
<u>OPERATING EXPENSES</u>		
Administration and General		
Postage and Office Supplies	\$ 1,252	\$ 713
Professional Services	4,168	1,038
Contracted Services	23,031	16,047
Communications	303	295
Printing and Publishing	332	300
Insurance and Bonds	4,202	3,977
Bank Fees	1,008	1,067
Education and Training	400	540
Dues	1,441	1,329
Miscellaneous	0	70
Plant		
Salaries and Wages	35,381	37,669
Workers' Compensation	1,216	0
Operating Supplies	5,501	6,004
Meters	2,292	0
Utilities	10,783	10,090
Repairs and Maintenance	3,073	9,111
Equipment Rental	6,194	7,466
Engineering	8,098	759

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
Testing	879	1,290
Depreciation	31,289	30,650
Total Operating Expenses	<u>\$ 140,843</u>	<u>\$ 128,415</u>
Operating Income (Loss)	<u>\$ 33,455</u>	<u>\$ 32,954</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Wellhead Protection Grant	\$ 0	\$ 12,988
Gain (Loss) on Sale of Investments	0	50
Interest Income	811	2,576
User Contributions	17,683	19,701
Interest Expense	(14,370)	(15,852)
Total Nonoperating Revenues (Expenses)	<u>\$ 4,124</u>	<u>\$ 19,463</u>
Net Income (Loss)	<u>\$ 37,579</u>	<u>\$ 52,417</u>
<u>RETAINED EARNINGS</u> - Beginning of Year	<u>662,688</u>	<u>610,271</u>
<u>RETAINED EARNINGS</u> - End of Year	<u><u>\$ 700,267</u></u>	<u><u>\$ 662,688</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND  
STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 239,459
Cash Payments to Suppliers for Goods and Services	(145,951)

Net Cash Provided by (Used for) Operating Activities	<u>\$ 93,508</u>
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Cash Flows from Capital and Related Financing Activities:

Acquisition and Construction of Capital Assets	\$ (64,831)
User Contributions	17,683
Principal Paid on Bonds	(20,000)
Interest Paid on Bonds	(14,870)

Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ (82,018)</u>
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Cash Flows from Investing Activities

Interest Income	<u>\$ 811</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	\$ 12,301
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<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>177,620</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 189,921</u></u>
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VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND  
STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2005

RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ 33,455
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization	\$ 31,289
(Increase) Decrease in Current Assets	
Accounts Receivable	(6,252)
Increase (Decrease) in Current Liabilities	
Accounts Payable	37,762
Customer Deposits	192
Due to Other Funds	(2,938)
Total Adjustments	\$ 60,053
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 93,508

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28.

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Operating Fund	\$ 15,179	\$ 9,151
Receiving Fund	402,092	313,721
Accounts Receivable	30,475	20,221
Rural Utilities Service Grant Receivable	221,668	0
Due from Other Funds		
Major Street	11,839	0
Local Street	13,152	6,500
Water Fund	7,435	0
Prepaid Expenses	8,940	4,530
	<hr/>	<hr/>
Total Current Assets	\$ 710,780	\$ 354,123
	<hr/>	<hr/>
<u>RESTRICTED ASSETS</u>		
Cash		
Sewer Construction Project	\$ 31,608	\$ 0
Sewer Improvement and Repair	44,384	43,774
Bond and Interest Redemption Funds	113,061	85,336
Bond Reserve Fund	47,738	38,506
Capital Improvement Fund	61,952	48,561
	<hr/>	<hr/>
Total Restricted Assets	\$ 298,743	\$ 216,177
	<hr/>	<hr/>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land Improvements	\$ 240,523	\$ 240,523
Machinery and Equipment	186,378	168,462
Tools	4,653	4,653
Sewer System		
Wastewater Treatment Facility	1,066,813	1,066,813
Pumping Station	110,398	110,398
Mains and Connections	1,765,492	1,765,492
Construction in Progress	2,163,733	0
Accumulated Depreciation	(1,767,875)	(1,698,497)
	<hr/>	<hr/>
Total Property, Plant and Equipment	\$ 3,770,115	\$ 1,657,844
	<hr/>	<hr/>
TOTAL ASSETS	\$ 4,779,638	\$ 2,228,144
	<hr/>	<hr/>

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28.

	<u>2005</u>	<u>2004</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</u>		
Accounts Payable	\$ 150,772	\$ 45,981
Construction Contract Retainage	93,000	0
Customer Deposits	1,250	0
Due to General Fund	1,650	1,144
Total Current Liabilities (Payable from Current Assets)	\$ 246,672	\$ 47,125
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Revenue Bonds Payable	\$ 156,000	\$ 15,000
Accrued Interest Payable	19,025	1,920
Total Current Liabilities (Payable from Restricted Assets)	\$ 175,025	\$ 16,920
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable (Net of Current Portion)	\$ 1,211,000	\$ 145,000
Less Advanced Refunding Costs	(5,347)	(6,533)
Total Long-Term Liabilities	\$ 1,205,653	\$ 138,467
Total Liabilities	\$ 1,627,350	\$ 202,512
<u>FUND EQUITY</u>		
Retained Earnings	\$ 3,152,288	\$ 2,025,632
TOTAL LIABILITIES AND FUND EQUITY	\$ 4,779,638	\$ 2,228,144

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sewer Service	\$ 259,722	\$ 184,223
Other Revenue	0	1,257
Total Operating Revenues	<u>\$ 259,722</u>	<u>\$ 185,480</u>
<u>OPERATING EXPENSES</u>		
Administration and General		
Office Supplies	\$ 1,423	\$ 915
Bank Service Charges	445	1,040
Professional Services	3,835	1,547
Legal Fees	520	7,281
Insurance and Bonds	4,844	3,400
Dues	93	264
Printing and Publishing	1,769	347
Miscellaneous	152	638
Plant		
Salaries and Wages	30,310	28,890
Operating Supplies	455	370
Permits and Fees	3,695	0
Utilities	13,101	10,774
Repairs and Maintenance	2,505	12,128
Testing	3,312	6,132
Equipment Rental	16,862	14,007
Amortization	1,186	1,301
Depreciation	69,378	67,003
Total Operating Expenses	<u>\$ 153,885</u>	<u>\$ 156,037</u>
Operating Income (Loss)	<u>\$ 105,837</u>	<u>\$ 29,443</u>

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 9,479	\$ 8,995
Interest Expense	(7,128)	(7,892)
Lease Income	24,475	8,645
User Contributions	18,725	30,624
Total Nonoperating Revenues (Expenses)	<u>\$ 45,551</u>	<u>\$ 40,372</u>
 Net Income	 \$ 151,388	 \$ 69,815
 Rural Utilities Service Grant	 975,268	 0
<u>RETAINED EARNINGS</u> - Beginning of Year	<u>2,025,632</u>	<u>1,955,817</u>
<u>RETAINED EARNINGS</u> - End of Year	<u><u>\$ 3,152,288</u></u>	<u><u>\$ 2,025,632</u></u>



VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND  
STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 439,236
Cash Payments to Suppliers for Goods and Services	<u>(319,915)</u>

Net Cash Provided by (Used for) Operating Activities	<u>\$ 119,321</u>
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Cash Flows from Capital and Related Financing Activities:

Acquisition and Construction of Capital Assets	\$ (1,941,331)
Bond Proceeds	1,222,000
Grant Proceeds	753,600
User Contributions	18,725
Principal Paid on Bonds	(15,000)
Interest Paid on Bonds	(14,648)
Lease Income	<u>24,475</u>

Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ 47,821</u>
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Cash Flows from Investing Activities

Interest Income	<u>\$ 9,479</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	\$ 176,621
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<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>539,393</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 716,014</u></u>
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VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND  
STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2005

RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ 105,837</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	\$ 70,564
(Increase) Decrease in Current Assets	
Accounts Receivable	(10,254)
Prepaid Expenses	(4,410)
Due from Other Funds	(25,926)
Increase (Decrease) in Current Liabilities	
Accounts Payable	(18,246)
Customer Deposits	1,250
Due to Other Funds	<u>506</u>
Total Adjustments	<u>\$ 13,484</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 119,321</u></u>

VILLAGE OF KINGSLEY, MICHIGAN  
EQUIPMENT FUND  
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

ASSETS

<u>CURRENT ASSETS</u>	2005	2004
Cash		
Checking Account	\$ 20,759	\$ 18,973
Savings Account	40,287	26,364
Prepaid Expenses	3,757	2,658
Total Current Assets	<u>\$ 64,803</u>	<u>\$ 47,995</u>
 <u>PROPERTY, PLANT AND EQUIPMENT</u>		
Machinery and Equipment	\$ 295,902	\$ 292,401
Accumulated Depreciation	(158,439)	(135,089)
Total Property, Plant and Equipment	<u>\$ 137,463</u>	<u>\$ 157,312</u>
 <u>OTHER ASSETS</u>		
Loan Legal Fees	\$ 1,749	\$ 1,749
Accumulated Amortization	(1,457)	(874)
Total Other Assets	<u>\$ 292</u>	<u>\$ 875</u>
 TOTAL ASSETS	<u><u>\$ 202,558</u></u>	<u><u>\$ 206,182</u></u>
	 <u>LIABILITIES AND FUND EQUITY</u>	
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 5,733	\$ 1,975
Due to General Fund	2,265	2,182
Total Current Liabilities	<u>\$ 7,998</u>	<u>\$ 4,157</u>
 <u>LONG TERM LIABILITIES</u>		
Installment Purchase Agreement	0	28,848
Total Liabilities	<u>\$ 7,998</u>	<u>\$ 33,005</u>
 <u>FUND EQUITY</u>		
Retained Earnings	<u>194,560</u>	<u>173,177</u>
 TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 202,558</u></u>	<u><u>\$ 206,182</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

EQUIPMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Equipment Rental	\$ 83,250	\$ 57,073
<u>OPERATING EXPENSES</u>		
Salaries and Wages	\$ 12,189	\$ 14,255
Office Supplies	1,087	710
Professional Services	900	400
Communications	896	776
Gasoline and Oil	6,652	4,846
Fleet Insurance	3,075	2,962
Workers' Compensation Insurance	561	483
Repairs and Maintenance	12,486	10,125
Miscellaneous	90	0
Amortization	583	583
Depreciation	23,350	20,417
Total Operating Expenses	\$ 61,869	\$ 55,557
Operating Income (Loss)	\$ 21,381	\$ 1,516
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Gain on Sale of Assets	\$ 0	\$ 4,515
Interest Income	413	735
Interest Expense	(411)	(2,231)
Total Nonoperating Revenues (Expenses)	\$ 2	\$ 3,019
Net Income (Loss) Before Other Financing Sources (Uses)	\$ 21,383	\$ 4,535

VILLAGE OF KINGSLEY, MICHIGAN

EQUIPMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED FEBRUARY 28,

	2005	2004
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In		
General Fund	\$ 0	\$ 14,634
Major Street Fund	0	4,422
Local Street Fund	0	2,211
Total Other Financing Sources	\$ 0	\$ 21,267
Net Income	\$ 21,383	\$ 25,802
<u>RETAINED EARNINGS</u> - Beginning of Year	173,177	147,375
<u>RETAINED EARNINGS</u> - End of Year	\$ 194,560	\$ 173,177

VILLAGE OF KINGSLEY, MICHIGAN

EQUIPMENT FUND  
STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities	
Receipts from Interfund Services Provided	\$ 83,250
Payments to Suppliers	(23,089)
Payments to Employees	(12,106)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 48,055</u>

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Principal Paid on Long Term Debt	\$ (28,848)
Interest on Loans Payable	(411)
Acquisition of Capital Assets	(3,500)
Net Cash Used for Capital and Related Financing Activities	<u>\$ (32,759)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	<u>\$ 413</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 15,709

<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>45,337</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 61,046</u></u>
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RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ 21,381</u>
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Adjustments to Reconcile Operating Income  
to Net Cash Provided by Operating Activities

Depreciation and Amortization	\$ 23,933
(Increase) Decrease in Current Assets	
Prepaid Expenses	(1,099)
Increase (Decrease) in Current Liabilities	
Accounts Payable	3,757
Due to Other Funds	83

Total Adjustments	<u>\$ 26,674</u>
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NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 48,055</u></u>
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VILLAGE OF KINGSLEY  
STATEMENT OF 2004 TAX ROLL  
FEBRUARY 28, 2005

	TAXABLE	MILLS	TAXES	TAXES	TAXES
	VALUATION	LEVIED	ASSESSED	RETURNED	COLLECTED
				DELINQUENT	
Village Tax	\$ 20,220,530	10.1677	\$ 205,593	\$ 17,143	\$ 188,450
Administration Fee			1,025	85	940
Total			\$ 206,618	\$ 17,228	\$ 189,390

VILLAGE OF KINGSLEY  
DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF 2004 TAX ROLL  
FEBRUARY 28, 2005

	CAPTURED TAXABLE VALUATION	MILLS LEVIED	TAXES ASSESSED	TAXES RETURNED DELINQUENT	TAXES COLLECTED
Grand Traverse County	324,587	5.1267	\$ 1,564	\$ 109	\$ 1,455
Medical Care	324,587	0.6785	207	0	207
Bay Area Transportation Authority	324,587	0.3428	104	0	104
Grand Traverse County Commission on Aging	324,587	0.2718	83	0	83
Traverse City District Library Operating	324,587	0.9827	300	0	300
Debt	324,587	0.213	65	0	65
Northwestern Michigan College Voted	324,587	1.4058	452	0	452
Operating	324,587	0.8266	240	0	240
Debt	324,587	0.6	179	0	179
Village of Kingsley	324,587	10.1677	3,301	103	3,198
			<u>\$ 6,495</u>	<u>\$ 212</u>	<u>\$ 6,283</u>



VILLAGE OF KINGSLEY, MICHIGAN  
WATER REVENUE BONDS, SERIES 1992  
FEBRUARY 28, 2005

<u>TITLE OF ISSUE</u>	Water Revenue Bonds, Series 1992		
<u>PURPOSE</u>	Defraying the cost of acquiring and constructing improvements to the Village's water supply system.		
<u>DATE OF ISSUE</u>	September 1, 1992		
<u>AMOUNT OF ISSUE</u>			\$ 410,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$ 170,000	
During Current Year		20,000	190,000
<u>BALANCE OUTSTANDING</u> - February 28, 2005			<u>\$ 220,000</u>

<u>CALL PROVISIONS</u>	Bonds maturing in the years 1993 through 2000 are not subject to redemption prior to maturity. Bonds maturing after 2001 are subject to redemption in any order of maturity on any interest payment date after October 1, 2001, at par and accrued interest plus a premium of 1% if called prior to October 1, 2005, and 1/2% thereafter.
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<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
April 1, 2005			\$ 6,835	\$ 6,835
October 1, 2005	6.05%	\$ 25,000	6,835	31,835
April 1, 2006			6,079	6,079
October 1, 2006	6.10%	25,000	6,079	31,079
April 1, 2007			5,316	5,316
October 1, 2007	6.15%	25,000	5,316	30,316
April 1, 2008			4,547	4,547
October 1, 2008	6.20%	25,000	4,547	29,547
April 1, 2009			3,773	3,773
October 1, 2009	6.25%	30,000	3,773	33,773
April 1, 2010			2,835	2,835
October 1, 2010	6.30%	30,000	2,835	32,835
April 1, 2011			1,890	1,890
October 1, 2011	6.30%	30,000	1,890	31,890
April 1, 2012			945	945
October 1, 2012	6.30%	30,000	945	30,945
		<u>\$ 220,000</u>	<u>\$ 64,440</u>	<u>\$ 284,440</u>

VILLAGE OF KINGSLEY, MICHIGAN  
SANITARY SEWER SYSTEM REVENUE REFUNDING BONDS - SERIES 1998  
FEBRUARY 28, 2005

<u>TITLE OF ISSUE</u>	Village of Kingsley Sewer Revenue Refunding Bonds - Series 1998		
<u>PURPOSE</u>	Paying Part of the Cost of Refunding the Sanitary Sewer System Revenue Bonds, Series 1979		
<u>DATE OF ISSUE</u>	June 1, 1998		
<u>AMOUNT OF ISSUE</u>	\$ 215,000		
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$ 55,000		
During Current Year	<u>15,000</u>	<u>70,000</u>	
<u>BALANCE OUTSTANDING - February 28, 2005</u>			<u>\$ 145,000</u>

CALL PROVISIONS

Bonds maturing in the years 2006 through 2013 inclusive, are subject to call in an order determined by the village on any interest payment date after June 1, 2005, at par and accrued interest, plus a premium of 1% on those bonds called on or after June 5, 2005, but prior to June 1, 2007.

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
June 1, 2005	4.800%	\$ 15,000	\$ 3,480	\$ 18,480
December 1, 2005			3,120	3,120
June 1, 2006	4.800%	15,000	3,120	18,120
December 1, 2006			2,760	2,760
June 1, 2007	4.800%	15,000	2,760	17,760
December 1, 2007			2,400	2,400
June 1, 2008	4.800%	15,000	2,400	17,400
December 1, 2008			2,040	2,040
June 1, 2009	4.800%	15,000	2,040	17,040
December 1, 2009			1,680	1,680
June 1, 2010	4.800%	15,000	1,680	16,680
December 1, 2010			1,320	1,320
June 1, 2011	4.800%	15,000	1,320	16,320
December 1, 2011			960	960
June 1, 2012	4.800%	20,000	960	20,960
December 1, 2012			480	480
June 1, 2013	4.800%	20,000	480	20,480
		<u>\$ 145,000</u>	<u>\$ 33,000</u>	<u>\$ 178,000</u>

VILLAGE OF KINGSLEY, MICHIGAN  
JUNIOR LIEN SEWER REVENUE BONDS, SERIES 2004  
FEBRUARY 28, 2005

<u>TITLE OF ISSUE</u>	Village of Kingsley \$1,222,000 Junior Lien Sewer Revenue Bonds, Series 2004
<u>PURPOSE</u>	Acquisition and Construction of Improvements to the Sewer System
<u>DATE OF ISSUE</u>	May 19, 2004
<u>AMOUNT OF ISSUE</u>	\$1,222,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 0
During Current Year	0
<u>BALANCE OUTSTANDING</u> - February 28, 2005	<u>0</u> <u>\$1,222,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2005	4.375%	\$ 11,000	\$ 25,928	\$ 36,928
November 1, 2005			26,491	26,491
May 1, 2006	4.375%	12,000	26,491	38,491
November 1, 2006			26,228	26,228
May 1, 2007	4.375%	12,000	26,228	38,228
November 1, 2007			25,966	25,966
May 1, 2008	4.375%	13,000	25,966	38,966
November 1, 2008			25,681	25,681
May 1, 2009	4.375%	14,000	25,681	39,681
November 1, 2009			25,375	25,375
May 1, 2010	4.375%	14,000	25,375	39,375
November 1, 2010			25,069	25,069
May 1, 2011	4.375%	15,000	25,069	40,069
November 1, 2011			24,741	24,741
May 1, 2012	4.375%	16,000	24,741	40,741
November 1, 2012			24,391	24,391
May 1, 2013	4.375%	16,000	24,391	40,391
November 1, 2013			24,041	24,041
May 1, 2014	4.375%	17,000	24,041	41,041
November 1, 2014			23,669	23,669
May 1, 2015	4.375%	18,000	23,669	41,669

VILLAGE OF KINGSLEY, MICHIGAN  
JUNIOR LIEN SEWER REVENUE BONDS, SERIES 2004  
FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1, 2015			23,275	23,275
May 1, 2016	4.375%	19,000	23,275	42,275
November 1, 2016			22,859	22,859
May 1, 2017	4.375%	19,000	22,859	41,859
November 1, 2017			22,444	22,444
May 1, 2018	4.375%	20,000	22,444	42,444
November 1, 2018			22,006	22,006
May 1, 2019	4.375%	21,000	22,006	43,006
November 1, 2019			21,547	21,547
May 1, 2020	4.375%	22,000	21,547	43,547
November 1, 2020			21,066	21,066
May 1, 2021	4.375%	23,000	21,066	44,066
November 1, 2021			20,563	20,563
May 1, 2022	4.375%	24,000	20,563	44,563
November 1, 2022			20,038	20,038
May 1, 2023	4.375%	25,000	20,038	45,038
November 1, 2023			19,491	19,491
May 1, 2024	4.375%	26,000	19,491	45,491
November 1, 2024			18,922	18,922
May 1, 2025	4.375%	27,000	18,922	45,922
November 1, 2025			18,331	18,331
May 1, 2026	4.375%	29,000	18,331	47,331
November 1, 2026			17,697	17,697
May 1, 2027	4.375%	30,000	17,697	47,697
November 1, 2027			17,041	17,041
May 1, 2028	4.375%	31,000	17,041	48,041
November 1, 2028			16,363	16,363
May 1, 2029	4.375%	33,000	16,363	49,363
November 1, 2029			15,641	15,641
May 1, 2030	4.375%	34,000	15,641	49,641
November 1, 2030			14,897	14,897
May 1, 2031	4.375%	36,000	14,897	50,897
November 1, 2031			14,109	14,109
May 1, 2032	4.375%	37,000	14,109	51,109
November 1, 2032			13,300	13,300
May 1, 2033	4.375%	39,000	13,300	52,300
November 1, 2033			12,447	12,447
May 1, 2034	4.375%	41,000	12,447	53,447
November 1, 2034			11,550	11,550

VILLAGE OF KINGSLEY, MICHIGAN  
JUNIOR LIEN SEWER REVENUE BONDS, SERIES 2004  
FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2035	4.375%	43,000	11,550	54,550
November 1, 2035			10,609	10,609
May 1, 2036	4.375%	45,000	10,609	55,609
November 1, 2036			9,625	9,625
May 1, 2037	4.375%	47,000	9,625	56,625
November 1, 2037			8,597	8,597
May 1, 2038	4.375%	49,000	8,597	57,597
November 1, 2038			7,525	7,525
May 1, 2039	4.375%	51,000	7,525	58,525
November 1, 2039			6,409	6,409
May 1, 2040	4.375%	53,000	6,409	59,409
November 1, 2040			5,250	5,250
May 1, 2041	4.375%	56,000	5,250	61,250
November 1, 2041			4,025	4,025
May 1, 2042	4.375%	58,000	4,025	62,025
November 1, 2042			2,756	2,756
May 1, 2043	4.375%	61,000	2,756	63,756
November 1, 2043			1,422	1,422
May 1, 2044	4.375%	65,000	1,422	66,422
		<u>\$ 1,222,000</u>	<u>\$1,368,842</u>	<u>\$2,590,842</u>

# *Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

June 6, 2005

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Village Council  
Village of Kingsley, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of the Village of Kingsley, Michigan as of and for the year ended February 28, 2005, which collectively comprise the Village of Kingsley, Michigan's basic financial statements and have issued our report thereon dated June 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Village of Kingsley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Kingsley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Village Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2005

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Village Council  
Village of Kingsley, Michigan

We have audited the compliance of the Village of Kingsley, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended February 28, 2005. The Village of Kingsley's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village of Kingsley's management. Our responsibility is to express an opinion on the Village of Kingsley's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Kingsley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Kingsley's compliance with those requirements.

In our opinion, the Village of Kingsley complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended February 28, 2005.



### Internal Control Over Compliance

The management of the Village of Kingsley is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Kingsley's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Village Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

VILLAGE OF KINGSLEY, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED FEBRUARY 28, 2005

	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department Agriculture			
Rural Development Administration			
Direct Program			
Water and Waste Disposal Systems			
for Rural Communities	10.760	Unknown	
Loan			\$ 1,222,000
Grant			<u>975,268</u>
Total Direct Program			<u>\$ 2,197,268</u>
Total U.S. Department on Agriculture			<u>\$ 2,197,268</u>

VILLAGE OF KINGSLEY, MICHIGAN  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Kingsley, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

VILLAGE OF KINGSLEY, MICHIGAN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED FEBRUARY 28, 2005

There were no prior audit findings.

VILLAGE OF KINGSLEY, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED FEBRUARY 28, 2005

**Summary of Auditors' Findings**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Village of Kingsley, Michigan.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Village of Kingsley, Michigan, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over the major federal award program.
5. The auditors' report on compliance for the major federal award program of the Village of Kingsley, Michigan expresses an unqualified opinion on the major federal program.
6. There are no audit findings relative to the major federal award program for the Village of Kingsley, Michigan.
7. The program tested as a major program was the Water and Waste Disposal Systems for Rural Communities grant, CFDA No. 10.760.
8. The threshold used to distinguish between a Type A and B program was \$300,000.
9. The Village of Kingsley, Michigan, qualifies as a low-risk auditee.

**Findings - Financial Statement Audit**

1. There were no findings relative to the financial statement audit.

**Findings and Questioned Costs - Major Federal Award Program Audit**

1. There were no findings relative to the major federal award program audit.

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2005

To the President and Village Council  
Village of Kingsley  
Kingsley, Michigan

During the course of our examination of the financial statements and records of the Village of Kingsley, Michigan, for the year ended February 28, 2005, we noted the following items which we would like to bring to your attention:

### Equipment Rental Records

Spreadsheets are used to accumulate equipment rental hours and charges. We found numerous mistakes in posting usage information from the employee time sheets to these spreadsheets. More care should be taken in posting these amounts to insure that all funds are charged the correct amount for equipment rental. This is a repeat from last year.

### Utility Accounts Receivable

Balances from the utilities billing software are not being reconciled to the related accounts receivable control accounts in the General Fund, Water Fund and Sewer Fund. The account balances in each funds general ledger should be reconciled to the aged accounts receivable report generated by the billing software on a monthly basis to ensure that all billing and collection transactions are being recorded properly. Care must be taken that the same cutoff is used for depositing and recording the receipts in the general ledgers as is used for posting transactions to the billing program.

### Bank Accounts

Several of the bank accounts at Northwest Bank receive statements that do not end on the last day of the month. This makes it very difficult to reconcile those bank accounts to the general ledger accounts when performing normal month end processing. If the bank cannot accommodate the normal practice of having business account statements cutoff at the end of the month, the Village should consider changing to a bank that can provide that service.

### Bond Reserve Accounts

The water and sewer revenue bond ordinances require that money be set aside on a monthly or quarterly basis in various bond reserve accounts. When these monies are moved from the receiving fund bank accounts to the reserve accounts, they should not be recorded as revenues and expenses in the Water Fund and Sewer Fund. The checks should simply be classified as debits in whatever accounts are receiving the funds and credits to the receiving fund accounts.

Proprietary Fund Principal Payments

When principal payments are made on loans or bonds in the Water Fund, Sewer Fund or Equipment Fund, they should be classified as a debit to the liability accounts in the funds general ledgers instead of being charged to an expense account. The accounting principles for these three funds are different than governmental funds. For instance, the principal payments that the General Fund makes on the streetscape loan are properly charged to an expense account.

Oil, Gas and Mineral Trust Fund Records

When the Oil, Gas and Mineral Trust Fund records were originally set up on Peachtree, the wrong fiscal year end was specified. As a result, its general ledger is maintained on a February 1, to January 31, fiscal year instead of the March 1, to February 28, fiscal year for all of the other Village Funds. This necessitates making journal entries each year to convert the general ledger numbers to the proper fiscal year end. We recommend that the Oil, Gas and Mineral Trust Fund be set up with the proper year end in Peachtree. This is a fairly simple process of creating a new fund, copying the chart of accounts from the old fund and entering the correct March 1, beginning balances. We are available to assist with that process if necessary.

We wish to express our appreciation for the cooperation and courtesy extended to our staff by the various Village employees during the course of our examination. In addition, we would like to thank the Village Council for giving us this opportunity to serve you. If you have any questions relative to the preceding comments and recommendations, or other areas of your annual audit, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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